

NOTICE OF MEETING OF THE SAN LUIS FACILITY DEVELOPMENT CORPORATION

In accordance with section 38-431.01 of the Arizona Revised Statutes of the State of Arizona, notice is hereby given to the Members of San Luis Facility Development Corporation and to the general public that the Board Members of the San Luis Facility Development Corporation will hold a **Special Meeting on Wednesday, September 26, 2018 at 5:30 p.m.** The meeting will take place at City Hall in **Council Chambers**, located at 1090 E. Union Street, San Luis, Arizona, 85349. Everyone from the public is invited to attend the open meeting.

In accordance with the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973, the City of San Luis does not discriminate on the basis of disability in the admission of or access to, or treatment of employment in its programs, activities, or services. For information regarding rights and provisions of the ADA or Section 504, or to request reasonable accommodations for participation in City programs, activities or services contact: ADA/Section 504 Coordinator, City of San Luis Human Resources Department, 1090 E. Union Street, San Luis, Arizona, 85349; (928) 341-8520.

Notice is hereby given that pursuant to A.R.S. §1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council are audio and/or video recorded, and, as a result, proceedings in which children are present may be subject to such recording. Parents in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. §1-602.A.9 have been waived.

THIS NOTICE IS APPROVED BY:

/s/ Kay M. Macuil, Attorney for the San Luis Facility Development Corporation

AVISO DE JUNTA DE LA CORPORACIÓN

De acuerdo con los Estatutos del Estado de Arizona "A.R.S § 38-431.01", se le informa a los miembros de la Corporación San Luis Facility Development Corporation y al público en general que los miembros de la Corporación San Luis Facility Development Corporation, tendrán una **Junta Especial el día miércoles, 26 de septiembre a las 5:30 p.m.** La junta se llevará a cabo en el **Salón Del Cabildo** ubicada en el 1090 E. Union Street, San Luis, Arizona 85349. El público está cordialmente invitado a la junta.

De acuerdo con el Acta de Americanos con Discapacidades y la Sección 504 del Acta de Rehabilitación del 1973, la Ciudad de San Luis, Arizona no discrimina por causa de discapacidad la admisión y acceso a sus programas, actividades, servicios o en el trato en cuanto a empleo. Para más información referente a derechos y provisiones del Acta de Americanos con Discapacidades o Sección 504, o para solicitar adaptaciones que sean razonables para la participación en programas, actividades o servicios de la Ciudad, contactar al: Coordinador del Acta de Americanos con Discapacidades/Sección 504, Departamento de Recursos Humanos de la Ciudad de San Luis, Arizona, ubicada en el 1090 E. Union Street, San Luis, Arizona, 85349; (928) 341-8520.

Por medio de este aviso y de acuerdo con los Estatutos del Estado de Arizona "A.R.S § 1-602.A.9", sujeto a ciertas excepciones reglamentarias, los padres de familia tienen el derecho de dar el consentimiento ante el Estado o cualquiera de sus subdivisiones políticas para hacer una grabación de audio o video de su hijo menor de edad. Las juntas del Cabildo se graban en audio y/o video y como resultado, el hecho de que haya menores presentes puede ser sujeto a que sean grabados. Para que los padres de familia puedan ejercer sus derechos pueden dar el consentimiento por escrito con la Secretaria de la Ciudad a tal grabación, o tomar acción personal para asegurarse que su hijo menor no esté presente cuando la grabación se lleve a cabo. Si un menor de edad está presente en el momento de la grabación, la Ciudad asumirá que los padres de familia están cediendo los derechos sobre una posible grabación de acuerdo con los Estatutos del Estado de Arizona "A.R.S. §1-602.A.9."

ESTE AVISO ES APROBADO POR:

/f/ Kay M. Macuil, Abogada de la San Luis Facility Development Corporation

AGENDA
Special Meeting
San Luis Facility Development Corporation
San Luis Council Chambers
1090 E. Union Street
San Luis, Arizona 85349
September 26, 2018
5:30 p.m.

PLEASE TAKE NOTICE

- Board Members will attend either in person, telephone, or video conference communication.
- The President or Acting President may change the order of the items.
- If authorized by law and by a majority vote of a present quorum of the Board of Directors, an executive session will be held immediately following the vote in accordance with A.R.S. §38-431.03(a) and the meeting will be temporarily recessed while the board retires to executive session which will not be open to the public.

1. CALL TO ORDER/ROLL CALL

2. CONSENT AGENDA

All matters are considered to be routine by the Board of Directors and will be enacted by one motion. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

2. A. MINUTES OF

- Meeting held August 29, 2018

3. DISCUSSION AND POSSIBLE ACTION ITEMS:

3. A. Discussion and possible action on any and all matters regarding Resolution No. 2018-01. A resolution of the San Luis Facility Development Corporation Board of Directors adopting and approving the entering into a Memorandum of Understanding with LaSalle Corrections, L.L.C. to finalize an operations and management agreement to be effective December 1, 2018. **(Kay Marion Macuil, Corporation Attorney)**

3. B. EXECUTIVE SESSION

Vote to hold an Executive Session pursuant to A.R.S. §38-431.03(A) (3)(4) and (7)

Discussion and possible action to hold an executive session pursuant to A.R.S. §38-431.03(A) (3) and (4) on any and all matters regarding contracts and proposals related to the San Luis Regional Detention and Support Center (the "Detention Center) for discussion or consultation for legal advice with the Board's attorney, in

order to consider and instruct the Board's attorney regarding the Board's position regarding contracts and proposals on the Detention Center regarding negotiating an operating and management agreement with LaSalle Corrections, L.L.C. effective December 1, 2018. **(Kay Marion Macuil, Corporation Attorney)**

4. MOTION TO GO BACK INTO SPECIAL SESSION

5. DISCUSSION ITEMS:

5. A. Discussion and possible directions to staff on any and all matters regarding review of the San Luis Facility Development Corporation by-laws, including but not limited to the provisions section 3.03 and 4.04. **(Kay Marion Macuil, Corporation Attorney)**

5. B. Discussion and possible directions to staff on any and matters regarding scheduling future meetings. **(Kay Marion Macuil, Corporation Attorney)**

6. ADJOURNMENT

Suggested adjournment by President: "Since we have come to the end of the items on the agenda and there is no further business, the meeting is adjourned."

Facilities Development Corporation

2.A.

Meeting Date: 09/26/2018

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Janet Taylor, Legal Secretary, Attorney's Office

ITEM:

MINUTES OF

- Meeting held August 29, 2018

SUMMARY:

MINUTES OF

- Meeting held August 29, 2018

RECOMMENDATION / SUGGESTED MOTION:

I MOVE TO APPROVE THE MINUTES OF THE MEETING HELD AUGUST 29, 2018

Attachments

2018-08-29 Minutes

MINUTES
SAN LUIS FACILITY DEVELOPMENT CORPORATION
San Luis Council Chambers
1090 E. Union Street
San Luis, Arizona 85349
AUGUST 29, 2018
6:30 p.m.

PLEASE TAKE NOTICE THAT BOARD MEMBERS MAY ATTEND THE MEETING BY TELEPHONIC COMMUNICATION

PLEASE TAKE NOTICE: *The Chair or Acting Chair may change the order of the items.*

PLEASE TAKE NOTICE: *If authorized by law and by a majority vote of a present quorum of the Board of Directors, an executive session will be held immediately following the vote in accordance with A.R.S. §38-431.03(A) and the meeting will be temporarily recessed while the Board retires to executive session which will not be open to the public.*

1. CALL TO ORDER/ROLL CALL President Jenny Torres called the meeting to order at approximately 6:37 p.m.

Name	Present	Absent
Director Maria Gonzalez	X	
Director Joe Harper	X	
Secretary Olivia Jenkins	X	
Vice President John Starkey	X	
President Jenny Torres	X	

Others present:

Kay Marion Macuil, Attorney for the Corporation

Janet Taylor, Clerk of the Board

Mayor Gerardo Sanchez

Council Member Gloria Torres

Council Member Africa Luna-Carrasco

Council Member Ruben Walshe

Council Member Mario Buchanan Jr.

Council Member Matias Rosales – by phone

IT, Jonathan Dumadag

IT, Jorge Mungaray

David Rivas, Warden LaSalle Corrections

Thomas Carroll, Assistant Warden LaSalle Corrections

Emeterio Leon, IGUA Union President Local 158 LaSalle Corrections

Eulogio Vera, Director of Public Works

Manuel Rojas, Assistant Director Public Works

Glenn Gimbut, Assistant City Attorney

Tadeo De La Hoya, City Manager

Sonia Cornelio, City Clerk

Ralph Velez, City Consultant

Monica Castor, Finance Director

2. DISCUSSION AND POSSIBLE ACTION ITEM:

2. A. EXECUTIVE SESSION

Vote to hold an Executive Session pursuant to A.R.S. §38-431.03(A) (3)(4) and (7) Discussion and possible action to hold an executive session jointly with the San Luis Facility Development Corporation and the San Luis City Council pursuant to A.R.S. §38-431.03(A) (3), (4) and (7) on any and all matters regarding contracts and proposals related to the San Luis Regional Detention and Support Center for discussion or consultation for legal advice with the public bodies' attorneys, in order to consider and instruct the public bodies' attorneys regarding the public bodies' position regarding contracts and proposals on the above-mentioned property. (Kay Marion Macuil, City Attorney and Attorney for the San Luis Facility Development Corporation)

MOTION: Secretary Olivia Jenkins and Director Joe Harper to go in to Executive Session. None opposed.

3. MOTION TO GO BACK INTO SPECIAL SESSION

MOTION: Director Joe Harper and Secretary Olivia Jenkins to go back into Special Session. None opposed

4. CONSENT AGENDA

All matters are considered to be routine by the Commission and will be enacted by

one motion. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

4. A. MINUTES OF

Minutes of the Annual Meeting held July 18, 2018.

MOTION: Vice President John Starkey and Director Joe Harper to approve minutes of the meeting held July 18, 2018. None opposed

5. ADJOURNMENT

Suggested adjournment by President: "Since we have come to the end of the items on the agenda and there is no further business, the meeting is adjourned."

Meeting adjourned at approximately 7:35 p.m.

PENDING APPROVAL

Facilities Development Corporation

3.A.

Meeting Date: 09/26/2018

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Kay Macuil, City Attorney, Attorney's Office

ITEM:

Discussion and possible action on any and all matters regarding Resolution No. 2018-01. A resolution of the San Luis Facility Development Corporation Board of Directors adopting and approving the entering into a Memorandum of Understanding with LaSalle Corrections, L.L.C. to finalize an operations and management agreement to be effective December 1, 2018. **(Kay Marion Macuil, Corporation Attorney)**

SUMMARY:

Background

On December 5, 2016, a court specialized in trusts and bonds in Minnesota approved a forbearance agreement between U.S. Bank (the Trustee), San Luis Facility Development Corporation and Emerald Correctional Management L.L.C. (the then operator of the detention center). (Attached here #4, the Order and the Forbearance Agreement).

The Order and Forbearance Agreement moved the payment of principal on the bonds down on the waterfall to after payment of costs of operations (which included the license fee of the City of San Luis). The Trustee (U.S. Bank) can terminate the forbearance agreement with 90-days of notice, and the earliest termination date is December 1, 2018. (Please see page 17 of attachment #4, in Section 6).

The Order also approved an interim operating and management agreement, under which the detention center is currently operating. The Trustee's 90-day notice also terminates the current interim operating agreement unless the Parties agree otherwise. (Please see attachment #5, page 4, Section 2.01, last sentence).

On April 7, 2017, San Luis Facility Development Corporation agreed to the assignment of the Forbearance agreement to LaSalle Corrections, L.L.C.

In May of 2018, the Trustee sent to the bondholders a Notice of Updated Financial Information and Inmate Population at the Project indicating that revenue is up. (Please see attachment #6)

On August 28, 2018, the Trustee sent to San Luis Facility Development Corporation and LaSalle Corrections a 90-day notice to terminate the forbearance agreement on December 1, 2018. (Please see attachment #7).

Need for a Memorandum of Understanding Now

Early this year, Keith Marshall (U.S. Bank Trustee) indicated that he was contemplating terminating the forbearance by December 1, 2018, due to the high inmate numbers. This summer he stated he did decide to send the notice and would do so before September 1st to be sure the forbearance would terminate at the earliest possible date, December 1, 2018.

Your legal counsel reviewed the documents and found Emerald only assigned the forbearance agreement to LaSalle, not the underlying operating agreement. Which means with the termination of the forbearance comes the termination of the agreement with LaSalle to operate the facility. Your legal counsel alerted LaSalle's Director of Accounting Tim Kurpiewski.

Mr. Kurpiewski said that unless there is an agreement in place by October 1, he would be required to give

the Union a 60-day notice of mass layoff under the WARN Act (the Worker Adjustment and Retraining Notification Act, 29 United States Code § 2109). As a result, LaSalle would propose sustainable numbers to take to the Corporation as the basis to start negotiations on the agreement.

Two Reasons no Proposal for the Board Yet

(1) Misunderstanding about the Waterfall

Mr. Kurpiewski did propose some numbers but did not have the Trust Indenture of October 1, 2005, between San Luis Facility Development Corporation and U.S. Bank, and so did not understand that LaSalle could not change the waterfall from the structure in the Indenture once the Trustee terminates the forbearance. So, LaSalle's proposed numbers contemplated the principal bond payments at the bottom of the waterfall rather than the top as required by the indenture.

(2) Need to Know the Federal Per Diem Rate

To calculate the proposal, Mr. Kurpiewski needed to know the Marshals response to our June 18, 2018 request to change the per diem rate due to the need to correct the classification under the classification system of the Department of labor from Guard II (\$16.99 per hour) to Correctional Officers (\$20.94). It was likely that the Department of Labor would be requiring the classification and higher rate whether the Marshals changed the per diem rate or not. When the answer did not come in July, LaSalle requested a 30-day extension with the due date being August 23, 2018. The answer awarding the higher per diem rate finally came September 18, 2018. (See the sixth attachment).

As of the writing of this Agenda Item Review form, LaSalle has not provided the compensation proposal for a new contract.

Summary of the Proposed Memorandum of Understanding (MOU)

So as not to trigger the 60-day layoff notice, we need to have at least an MOU done before October 1. The MOU is an agreement to agree to have a contract negotiated by November 1 and in any case before December 1, 2018. If there is no agreement by December 1, 2018, then we agree to use the 2011 Emerald Contract, which under the current Marshals rates makes the license fee \$4.50 per inmate day.

(Please see attachment #3, page 6, Section 3.03(c) and the paragraph following it). The thought behind having the 2011 contract as the fall-back contract if there is no contract, is to provide an incentive to get parties to get the new contract done on time by November 1 or no later than December 1.

RECOMMENDATION / SUGGESTED MOTION:

I MOVE TO APPROVE AND ADOPT RESOLUTION 2018-01.

Attachments

Res 2018-01

MOU

2011 Operating Agreement

Order & Forbearance Agreement

Current Operating Agreement

Trustee's May Notice to Bondholders

90-Day Notice of Termination

Marshals Raise Pay-Rate

RESOLUTION

No. 2018-01

A RESOLUTION OF THE SAN LUIS FACILITY DEVELOPMENT CORPORATION BOARD OF DIRECTORS ADOPTING AND APPROVING THE ENTERING INTO A MEMORANDUM OF UNDERSTANDING WITH LaSALLE CORRECTIONS, L.L.C. TO FINALIZE AN OPERATIONS AND MANAGEMENT AGREEMENT TO BE EFFECTIVE DECEMBER 1, 2018.

BE IT RESOLVED by the San Luis Facility Development Corporation Board of Directors, as follows:

Section 1. it is deemed in the best interest of the continued stability of the operation San Luis Regional Detention and Support Center that the San Luis Facility Development Corporation enter into a Memorandum of Understanding with LaSalle Corrections, L.L.C. to finalize an Operations and Management Agreement to be Effective December 1, 2018.; and

Section 2. that a true copy of said Memorandum of Understanding is incorporated herein as though fully set forth again in full;

PASSED, ADOPTED and APPROVED by the Board of Directors of the San Luis Facility Development Corporation this ____ day of September 2018

Jenny Torres, President

ATTEST:

APPROVED AS TO FORM:

Olivia Jenkins, Secretary-Treasurer

Kay Marion Macuil
Corporation Attorney

Memorandum of Understanding

This Memorandum of Understanding (this "MOU") is made this _____ day of September, 2018 by and between the San Luis Facility Development Corporation, an Arizona nonprofit corporation, 1090 East Union Street, San Luis, Arizona ("SLFDC") and LaSalle Corrections, L.L.C., a Louisiana Limited Liability Corporation having its Southwest operations at 26228 Ranch Road 12, Dripping Springs, Texas ("LaSalle").

SLFDC and LaSalle may be referred to singularly as the "Party" or collectively as the "Parties."

Recitals

On December 5, 2016, a court order issued approving a forbearance agreement between the then operator, Emerald Correctional Management L.L.C. (Emerald"), the SLFDC, and U.S. Bank National Association ("U.S. Bank") (in its capacity as Trustee under the October 1, 2005 Trust Indenture and its supplements for the bonds for the San Luis Regional Detention Center Project) regarding a restructure of payments pursuant to the Trust Indenture for the bond issue(s) made and issued by the SLFDC for the San Luis Regional Detention Project.. As part of said forbearance agreement, the Revised, Amended and Restated Facility Operation and Management Agreement between Emerald and the SLFDC was executed on the 20 day of October, 2016.

On April 7, 2017 Emerald assigned said Revised, Amended and Restated Facility Operation and Management Agreement to LaSalle Corrections, L.L.C. The former management agreement between Emerald and SLFDC dated March 11, 2011 was not assigned.

On August 28, 2018, the Trustee sent a "90 Day Notice to Issuer and Operator RE Termination of Forbearance Agreement" to terminate both the forbearance agreement and the Revised, Amended and Restated Facility Operation on December 1, 2018.

In order to have an operating agreement on December 1, 2018, LaSalle and San Luis Facility Development Corporation desire to negotiate an agreement to be effective December 1, 2018.

NOW, THEREFORE, in consideration of entering into this MOU, and for other good and valuable consideration receipt of which is here acknowledged, the parties agree as follows:

1. The above recitals are expressly incorporated here and made part of this MOU.
2. SLFDC and LaSalle shall use their best efforts to negotiate diligently in good faith and to take all necessary processes, steps and legal requirements to have an operating and management agreement for the San Luis Regional Detention and Support Center by or before Thursday, November 1, 2018 and in any case no later than December 1, 2018 for the agreement to be effective on December 1, 2018. The Parties understand that the operating and management agreement effective December 1, 2018 must conform to the Trust Indenture between the San Luis Facility

Development Corporation, as Issuer and U.S. Bank National Association, as Trusted dated October 1, 2005 and all of its supplements.

3. It is understood and agreed that the current Revised, Amended and Restated Facility Operation and Management Agreement executed October 20, 2016 shall remain in full force and effect until its termination on December 1, 2018.

4. The Parties agree that it is of paramount importance for the continued efficient functioning of the San Luis Regional Detention and Support Center that there be no lapse in time between the Termination of the Revised, Amended and Restated Facility Operation and Management Agreement on December 1, 2018 and the effective date of a new Operation and Management Agreement.

5. Term and Time is of the Essence. SLFDC and LaSalle agree that **time is of the essence.**

5.1 The Parties are committed to a new Operation and Management Agreement between each other to be effective December 1, 2018 to be created before December 1, 2018.

5.2 This MOU terminates upon the Parties' full execution of such an Operation and Management Agreement except as to section 5.3 of this MOU.

5.3 If the Parties have not negotiated an Operation and Management Agreement by December 1, 2018, then the Parties hereby agree to abide by the Amended and Restated Facility Operation and Management Agreement between the San Luis Facility Development Corporation and Emerald Correctional Management, L.L.C. until a new Operation and Management Agreement is effective.

5.4 The attached Amended and Restated Facility Operation and Management Agreement between the San Luis Facility Development Corporation and Emerald Correctional Management, L.L.C. is hereby incorporated into this MOU by this reference and made a part of this MOU" as if set out here in full.

6. It is further expressly agreed by the Parties that any and all administrative costs incurred by either in carrying out the terms of this MOU shall be borne solely by each Party, respectively.

7. Provisions Required by Arizona Law

7.1 Conflict of Interest

LaSalle declares that it presently has no interest and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of this MOU. LaSalle further declares that in the performance of this MOU no subcontractor or person having such interest shall be employed. LaSalle certifies that, if it hires any employee, no one who has or will have any financial interest in this MOU is an officer or employee of SLFDC or the City of San Luis.

Under Arizona law, rules and regulations, no member, official or employee of SLFDC or the City of San Luis shall have any personal interest, direct or indirect in this MOU, nor shall any such member, official or employee participate in any decision relating this MOU which affects his or her personal interest or the

interest of any corporation, partnership or association in which he or she is, directly or indirectly, interested. This Agreement is subject to the cancelation provisions of A.R.S. §38-511.

7.2 Employment Eligibility

LaSalle hereby warrants that it is in compliance with all federal immigration laws and regulations that relate to its employees and with A.R.S. § 23-214 relating to verification of employment eligibility. A breach of this warranty shall be deemed a material breach of this MOU. City retains the legal right to inspect the papers of LaSalle to ensure that LaSalle complies with this warranty.

7.3 Boycott

LaSalle certifies that it does not participate in, and agrees not to participate in during the term of this MOU a boycott of Israel under A.R.S. § 35-393.01. The undersigned understands this certification will become public record under A.A.C. R2-7-C317.

8. Miscellaneous Provisions

8.1 Authority. The undersigned represent to each other that they have full power and authority to enter into this MOU, and that all necessary actions have been taken to give full force and effect to this MOU.

8.2 Severability. If any other provision of the MOU is declared void or unenforceable, such provision shall be severed from this MOU, which shall otherwise remain in full force and effect.

8.3 No Assignment nor Assumption. LaSalle shall not assign the benefits of, or delegate the obligations arising under, this MOU to any person or entity.

8.4 No Third-Party Beneficiaries. There are no third-party beneficiaries to this MOU, and no person or entity not a Party shall have any right or cause of action under this MOU.

8.5 No Personal Liability. No member, official or employee of SLFDC shall be personally liable to LaSalle, or any successor or assignee, (a) if any default occurs or breach by SLFDC, (b) for any amount which may become due to LaSalle or its successor or assign, or (c) under any obligation of the SLFDC under this MOU. Notwithstanding anything contained in this Agreement to the contrary, the liability of LaSalle under this Agreement shall be limited solely to the assets of LaSalle and shall not extend to or be enforceable against: (i) the individual assets of the individuals or entities who are shareholders, members, managers constituent partners, officers or directors of the general partners or members of LaSalle; (ii) the shareholders, members or managers or constituent partners of LaSalle; or (iii) officers of LaSalle.

8.6 Further Acts. Each of the Parties shall execute and deliver all such documents and perform all such acts as reasonably necessary, from time to time, to carry out the matters contemplated by this MOU.

8.7 Entire Agreement. This MOU, constitutes the entire agreement between the Parties pertaining to the subject matter hereof. All prior and contemporaneous agreements, representations and understandings of the Parties, oral or written, are superseded and merged in this MOU.

///

///

8.8 Counterparts. This MOU may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and such signature pages all attached to a single instrument so that the signature of all Parties may be physically attached to a single document.

This MOU is executed at as of the date appearing first above.

San Luis Facility Development Corporation

Jenny Torres, President

ATTEST:

APPROVED AS TO FORM:

Olivia Jenkins, Secretary-Treasurer

Kay Marion Macuil, Corporation Attorney

LaSalle Corrections, L.L.C.

Tim Kurpiewski, Chief Financial Officer

AMENDED AND RESTATED
FACILITY OPERATION AND MANAGEMENT AGREEMENT

This Amended and Restated Facility Operation and Management Agreement (hereinafter "Agreement") is entered into by and between the SAN LUIS FACILITY DEVELOPMENT CORPORATION, an Arizona nonprofit corporation (hereinafter "MPC") and EMERALD CORRECTIONAL MANAGEMENT, L.L.C., a limited liability company organized under the laws of the state of Louisiana (hereinafter called "Operator") to become effective on the date signed by the last party to sign ("Effective Date"). This Agreement amends and restates that certain Facility Operation and Management Agreement entered into by MPC and Operator with an effective date of August 7, 2009 (the "Initial Agreement"), but the term of which began, and all obligations of both parties hereto first began, on the first day that prisoners were housed at the facility operated and managed hereunder ("Commencement Date", namely August 15, 2009) and shall continue during and after the first date that prisoners are housed in the new expansion portion of the Facility ("New Expansion Date") in accordance with the terms and conditions of this Agreement. Notwithstanding the foregoing, to the extent that either MPC and/or Operator already have any existing rights and/or obligations pursuant to the Initial Agreement, then such parties shall respectively maintain those rights and be responsible for those obligations. For the sake of clarity, this Agreement is not intended to revoke, sever or terminate the rights existing under the Initial Agreement, but is intended to initiate new rights and obligations of the parties hereto as of the Effective Date.

WHEREAS, MPC is the owner or equitable owner of that certain detention facility (hereinafter "Facility"); and

WHEREAS, the Facility, when completed, will include at least eight hundred sixteen (816) inmate beds for secure detention; and

WHEREAS, the parties hereto desire to enter into an agreement for the operation and management of the Facility; and

WHEREAS, the entering into this Agreement is found to be in the best interests of the parties, the efficient and safe operation of the Facility, and the public as it will serve the public purpose of providing space for incarceration of law violators and will provide economic development and economic benefits to the local economy; and

WHEREAS, MPC has entered into a Trust Indenture ("Indenture"), dated as of October 1, 2005, with U.S. Bank National Association ("Trustee") in order (among other things) to finance the Facility. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.

NOW, THEREFORE, in consideration of the mutual rights, benefits and obligations herein exchanged, the parties do covenant, agree and bind themselves as follows:

I. PURPOSES

- 1.01 Operator agrees to operate, manage and supervise the Facility for MPC, and to receive, detain and care for all properly classified prisoners for which the Facility is approved that may be assigned to the Facility from:
- (a) The Chief of Police of the City of San Luis (the "City"), such person who is in charge of the management of the Police Department, or such other person or persons as may be designated by the City Manager of the City (collectively the "Police Chief");
 - (b) The United States Government or any agency thereof, pursuant to an agreement between MPC and the United States or any agency thereof, subject to any limitations of the Trust Indenture;
 - (c) The Arizona Department of Corrections, pursuant to an agreement between ADOC and MPC; or
 - (d) Any other state, local, county, or federal jurisdiction.

All of whom may be referred to hereinafter as "Users" or "User Agencies".

Provided, however, that the Operator shall not house prisoners from sources, and under circumstances, that would cause income from the Trust Indenture to Bondholders to become includable in the gross income of the recipient under the Internal Revenue Code. This includes, but is not limited to, complying with the restrictions imposed on the housing of federal prisoners so that the income to the Bondholders is not deemed "federally guaranteed" within the meaning of Section 149(d) of the Internal Revenue Code. Operator agrees not to house prisoners of the United States government, or any department or agency thereof, unless the following conditions are met:

- (a) The housing of prisoners for the Federal Government is on a space-available, first-come, first-served basis; and
 - (b) The Federal Government will be charged approximately the same amount for each prisoner as other persons that enter into similar transfer agreements, and the term of use under the Federal Government Agreement is not longer than 100 days and the Federal Government has no right to renew.
- 1.02 Operation and management of the Facility must be in accordance with the applicable standards of the American Correctional Association and the requirements set forth in agreements with entities contracting with MPC to house prisoners at the Facility ("Sending Jurisdictions").

- 1.03 Operator is an independent operator engaged for the public purpose of operating a detention center on behalf of MPC. No property interest or right in the Facility or grounds is granted to the Operator by this Agreement.
- 1.04 The Operator shall operate the Facility in compliance with the terms of the Trust Indenture and this signed Agreement. The Operator shall provide or cause to be provided all insurance, maintenance, certifications and other matters required of or made the obligation of MPC under the Trust Indentures and this Agreement. This includes, without limitation, preparation of all reports or disclosures required under the Trust Indentures and this Agreement.

II. TERM

- 2.01 MPC hereby retains Operator exclusively and Operator hereby accepts this engagement for the operation, management, and maintenance of the Facility pursuant to the terms hereof. The Initial Term of this Agreement shall begin on the Effective Date and shall end on the fifth year anniversary of the completion date of the expansion of the Facility and the first date that prisoners are housed in the expansion portion of the Facility (namely "New Expansion Date"). The day of the New Expansion Date shall be agreed to in writing by the parties and such agreement shall not be unreasonably withheld by either side. The parties agree that this Agreement is terminable five years following the New Expansion Date, upon not less than sixty (60) days' prior notice to Operator (the "60 Days' Notice Right"), with no costs or penalties assessed to either party, on mutually acceptable terms. The 60 Days' Notice Right shall continue into, and be part of any extension of the term of this Agreement.
- 2.02 This Agreement shall automatically renew for two (2) independent and successive, five (5) year terms (hereinafter "Renewal Terms"), unless either Party notifies, pursuant to the terms of Section XVI of this Agreement, the other Party of its election to cancel the forthcoming Renewal Term, not less than Sixty (60) days prior to the then existing term's natural expiration.
- 2.03 MPC may terminate this Agreement or cancel the renewal terms only in the event of Operator's continued default under the terms of the this Agreement existing more than ninety (90) days after Operator's receipt of MPC's notice that Operator has failed to perform any of its obligations under this Agreement. In other words, if Operator does not, within ninety (90) business days of receipt from MPC of written notice that Operator has failed to perform any of its obligations in this Agreement, cure such failure (or if such failure cannot be cured within such ninety (90) day period, Operator does not commence such cure within the ninety (90) day period and thereafter diligently proceed with all actions necessary to cure such failure as soon as reasonably possible), then MPC, may upon written notice to Operator, terminate the Agreement or cancel the renewal term.

III. OPERATOR'S COMPENSATION

- 3.01 **Management Fees.** The MPC agrees to pay Operator compensation for the services provided hereunder at a Fixed Periodic Fee and a Variable Fee determined by the Variable Fee Per Diem Rate as set forth on the Attached Exhibit A (collectively referred to herein as "Management Fees"). MPC is only obligated to pay the Management Fee to Operator to the extent that funds are available in the Operator Fee Account for such purposes. No funds of the MPC that are generated by other projects and no funds of the City, that are held in the general fund of the City, and no tax revenue of the City shall be obligated to pay the Management Fee.

The Fixed Periodic Fee shall be that portion of the Management Fees that is due and owing to Operator each month without regard to the occupancy level of the Facility. The Variable Fee shall be determined monthly and shall be due and owing to Operator only for those months where the average monthly occupancy of the Facility is greater than ninety five percent (95%). To calculate the Variable Fee, the applicable Variable Fee Per Diem Rate shown on the attached Exhibit A, shall be applied to each Inmate Day that exceeds ninety five percent (95%) capacity of the Facility in any month. For the purposes of this section, the term "Inmate Day" shall mean each calendar day or part thereof, during which an inmate is assigned to the Facility, which, for each calendar day, will be determined by the Midnight Count Report. The term "Midnight Count Report" shall mean the official numerical count of the number of inmates present at the Facility at the end of each day, which for purposes of this Agreement shall be determinative of the number of inmates present at the Facility for the day just ended. In the event an inmate is processed into and out of the Facility in less than twenty-four hours and is not in the Facility at midnight, such inmate's presence shall be made part of the official numerical count for the day such inmate arrived at the Facility. No Variable Fee shall be due and owing in any month where the average monthly occupancy of the Facility is ninety four percent (94%) or less. The Variable Fee shall be capped at, and shall never exceed an amount equal to five percent (5%) of the total of the Fixed Periodic Fee and Variable Fee paid to Operator for the applicable time period during which the Variable Fee is calculated. In the event that the Commencement Date does not occur on the first day of a month, then the Management Fees pertaining to the first month's operations shall be prorated as necessary.

The Operator's compensation under this Article III shall be payable from moneys available therefore in the Operator Fee Account established under that certain Trust Indenture by and between MPC and U. S. Bank National Association. The MPC hereby irrevocably instructs the Trustee to pay the Operator within three (3) business days after the date upon which there is sufficient money accumulated in the Operator Fee Account. If the Operator is not paid its full compensation as set forth in this Section for any calendar month, the deficiency in such payment shall be carried over to the following months and added to the Operator's compensation due in following months during the term of this Agreement.

Any portion of the Management Fees due and owing to the Operator that is not timely paid, shall remain due and owing until it is paid in full.

No Management Fees due and owing to Operator pursuant to this Agreement shall remain due and owing after 120 calendar days has have elapsed following the termination of this Agreement by its own terms or otherwise. Operator shall only be paid its Management Fees due hereunder from Project Revenues generated by the services provided by Operator pursuant to this Agreement. Project Revenues generated by any other operator of the Facility shall not be utilized to pay the Management Fees of Operator due and owing hereunder.

The Management Fees set forth in Exhibit A shall be paid to Operator during the Initial Term of this Agreement. The Management Fees for the Renewal Terms shall be negotiated by the parties after the full scope of services to be rendered by Operator has been determined for those years. If the parties are unable to agree upon the amount of such monthly fixed periodic fees for the Renewal Terms prior to sixty (60) days prior to the then existing term's normal expiration, and if either party does not terminate the Agreement pursuant to Section 2.02, then the Management Fee for such terms shall be the monthly periodic fees described in Exhibit A, adjusted by the change in the Consumer Price Index, West Urban Region, between the Commencement Date and the then existing date.

- 3.02 Source of Funds. Notwithstanding anything herein to the contrary, all amounts due and payable by the MPC to Operator shall be a current obligation payable solely from the amounts held within Operator Fee Account established under that certain Trust Indenture by and between MPC and U. S. Bank National Association. At no time shall the City or MPC be liable for payment of these sums save and except from the source of funds identified hereinabove.
- 3.03 Detention Facility Business License Fee. The obligation to pay the Detention Facility Business License Fee to the City, shall be the responsibility of Operator; however, Operator shall direct the Trustee to make the Detention Facility Business License Fee payment directly to the City and as a priority payment from the Operator Fee Account prior to any payments to Emerald. The City, MPC and Operator hereby agree to cooperate with each other to establish with Trustee such procedures as may be needed or necessary for the City to be paid the Detention Facility Business License Fee directly by Trustee from revenues in the Operator Fee Account. Operator shall provide the City with the documentation to calculate the amount of the Detention Facility Business License Fee, for each given month, so that the City can verify the Operator's calculations. The amount of Detention Facility Business License Fee (upon a monthly basis) to be paid to the City shall be determined by the daily rate paid by the applicable User Agency (other than the City) for the housing of an inmate at the Facility as follows:
- (a) If the daily rate paid by the User Agency is between \$59.50 and \$70.00 - the Detention Facility Business License Fee shall be \$3.00 per Inmate Day, and

(b) If the daily rate paid by the User Agency is between \$70.01 and \$75.00 - the Detention Facility Business License Fee shall be \$4.00 per Inmate Day, and

(c)

(c) If the daily rate paid by the User Agency is more than \$75.00 - the Detention Facility Business License Fee shall be \$4.50 per Inmate Day provided.

In calculating the Detention Facility Business License Fee due and owing to the City each month, the number of Inmate Days provided in the Facility in a given month to a User Agency, shall be determined by reference to the occupancy of the Facility as determined by the Midnight Count Report. The number of Inmate Days so calculated for a User Agency in a given month, will then be multiplied by the applicable daily amount of the Detention Facility Business License Fee as determined above. The resulting sum shall be the Detention Facility Business License Fee for a given month. The Detention Facility Business License Fee is not due for any Inmate Day until the applicable User Agency has paid for said Inmate Day. The City shall only be entitled to the Detention Facility Business License Fee for those inmates housed at the facility for whom a User Agency (other than the City) has paid the applicable per diem fee. No Detention Facility Business License Fee will be owed to, earned by, billed by or collected by the City, for any City inmate that is housed in the Facility, even when the City pays for the housing of such inmate. The monthly bill for the Detention Facility Business License Fee will be subject to the reasonable approval of the City and the Operator pursuant to this section. The Detention Facility Business License Fee shall be due and payable to the City for each calendar month. In those months when Operator Fee Account contains insufficient funds to pay the Detention Facility Business License Fee, such fee(s) shall aggregate and shall be paid by the Trustee as sufficient funds become available in the Operator Fee Account to pay the Detention Facility Business License Fee.

3.04 Documentation for Distributions by Trustee. Operator shall, each month, promptly forward to the Trustee, such documentation as may be reasonably required to facilitate the payment of Management Fees and the Detention Facility Business License Fee anticipated by Sections 3.01 and 3.03 above. Such documentation shall include, but is not limited to, the monthly invoice prepared by Operator and forwarded to each User Agency assigning Inmates to the Facility, the monthly calculation of the amount due and owing to Operator, and such other matters as may be reasonably and prudently required by Trustee to document the payment of Management Fees hereunder. Operator shall prepare and submit to the City a monthly statement setting forth the calculation of any and all amounts due and owing by Operator to the City as the Detention Facility Business License Fee, pursuant to Section 3.03 above, and such other amounts as may be due and owing between the City and Operator pursuant to the terms of this Agreement.

3.05 Adjustment to Management Fees. The amount described as the Management Fee to be paid to Operator, set forth in Section 3.01 above, is subject to renegotiation and adjustment at the option of the parties when the scope of services required to be provided

by Operator hereunder has materially changed, such that Operator is not fairly compensated for the goods and services provided.

- (a) MPC and Operator agree and irrevocably stipulate that an increase in the maximum capacity of the Facility (for purposes of this section defined as the housing of eight hundred sixteen (816) inmates at the Facility) of three percent (3%) or more constitutes a material change in the scope of services required to be provided by Operator hereunder.
- (b) MPC and Operator agree and irrevocably stipulate that housing more than eight hundred sixteen (816) inmates at the Facility for more than five (5) consecutive days, constitutes a material change in the scope of the services required to be provided by Operator hereunder.
- (c) If MPC and Operator do renegotiate such compensation or any other terms of this Agreement, such renegotiated compensation or terms shall comply with Federal and State law so as to not affect the tax exempt status of the Bonds issued to finance the Facility.

3.06 Excess Inmates. If more than seven hundred seventy-five (775) inmates are housed in the Facility on any calendar day ("Extra Inmates") as determined by the Midnight Count Report for such day, then in the absence of an amendment to this Agreement adjusting the Management Fees to be paid to Operator for the housing of such Extra Inmates, Operator shall be paid eighty percent (80%) of the fees paid for the housing of such Extra Inmates and collectively such amounts paid to Operator shall be the "Variable Management Fees." At any point in time, the Variable Management Fees paid to Operator pursuant to this Agreement shall never exceed 5.03% of the sum of all of the fixed monthly Management Fees paid to Operator pursuant to Article III of this Agreement for the then preceding twelve (12) months. If it is found that the Variable Management Fees paid to Operator have violated the limitation on amount set forth herein, Operator shall promptly pay to the Trustee an amount equal to that portion of the Variable Management Fees that exceed the limitation of 5.03% of the sum of all of the fixed monthly Management Fees paid to Operator pursuant to Article III of this Agreement for the then preceding twelve (12) months.

3.07 Project Revenue. The term "Project Revenue," except as limited herein, shall mean all revenues generated by the operation, management and maintenance of the Facility, which, pursuant to the terms of that certain Trust Indenture by and between MPC and U. S. Bank National Association shall be deposited into the Operator Fee Account. However, the following described types of revenue are not Project Revenue and shall not be deposited in the Operator Fee Account (or otherwise forwarded or delivered to the Trustee) and are deemed to be the sole and exclusive property of Operator in which MPC shall have no interest or claim to or in the revenues received by Operator relating to reimbursement to Operator by a third-party for transportation expense incurred; reimbursement to Operator by a third-party for health care and related medical expenses incurred; reimbursement to Operator by a third-party for the cost of renovations,

improvements or repairs to the Facility completed as a condition precedent to the receipt or housing of inmates; reimbursement to Operator by a third-party for inmate education, treatment, or training programs; any revenue or proceeds generated from the operation of the inmate commissary, the operation of the inmate telephone system, the operation of vending machines for the staff and the public; and/or the sale of hobby, crafts, and related products created by the inmates.

- 3.08 The Operator shall be entitled to seek reimbursement for extraordinary costs associated with the housing agreements with Sending Jurisdictions. Said extraordinary expenses may include, but are not limited to, outside hospital coverage, transportation, extraordinary medical expenses, pharmaceuticals, and facility enhancements. Said reimbursement for such costs shall not be the burden of MPC, but only that of the User Agencies or Sending Jurisdictions, and shall be in addition to the Operator's compensation payable under this agreement.
- 3.09 In the event of a shortage of space in the City's jail, the City, at the request of the respective Police Chief, may house at the Facility, up to five (5) prisoners at no cost to the City, for a time period of not more than seventy-two (72) hours. Should the need to exceed five (5) prisoners arise for more than seventy-two (72) hours at any given time, both parties agree to negotiate, in good faith, a rate per prisoner per day acceptable to both parties applicable to each such occurrence. Said rate shall only be applicable to those instances where more than five (5) prisoners are housed at Facility for more than seventy-two (72) hours for any given inmate is required. The City may not contract with other jurisdictions for the beds identified in this section.
- 3.10 For the purposes of this Agreement, a "day" shall mean a twenty-four (24) hour time period beginning with twelve (12) o'clock midnight and ending twenty-four (24) hours later and a "month" shall mean a calendar month. The Operator shall provide to MPC a daily midnight census count of all inmates confined at the Facility during the calendar month. This census will be provided not later than ten (10) calendar days after the end of the month and will be the basis for all compensation actions.

IV. DUTIES OF OPERATOR

- 4.01 Operator shall manage, operate and provide at its sole cost and expense:

Replacement of all necessary furniture, fixtures and equipment required at the Facility, including, but not limited to, computers, fax and copy equipment, radios, televisions, uniforms and linens and basic office furniture and administrative phone systems, which are necessary or prudent for operation and management of the Facility and the housing of prisoners.

Intake facilities and prisoner accounting which shall encompass booking, record keeping, billing, system of controls, identification systems and records, computerized communication interface with law enforcement agencies, and such statistical records as

may be required by law, Sending Jurisdictions, or as generally accepted prisoner-locator practices;

Attendants to control ingress and egress at the Facility, in addition to attendants necessary for the requisite level of security internally within the Facility and those required to monitor the activities of prisoners confined within the Facility. The Operator shall provide to MPC a complete staffing plan. This plan will include a suitable relief factor which takes into account training, vacation and other matters required to staff a correctional facility of this size and mission. The Operator will make every effort to maintain staffing at a level equal to ninety percent (90%) of the staffing plan;

- (a) Food and beverage services;
- (b) Clothing and uniforms;
- (c) Engineering and maintenance;
- (d) Procurement and purchasing;
- (e) Recreational, vocational, counseling, education and exercise programs, and other program requirements required by law or prisoner housing contracts;
- (f) Bookkeeping and financial accounting;
- (g) Basic medical care, over-the-counter medications, and miscellaneous medical supplies as required by Sending Jurisdictions;
- (h) Training of jailers to be employed at the Facility and all start up costs of operations;
- (i) Repair, upkeep and maintenance for the Facility. This will include (without limitation) establishment of a periodic maintenance program with applicable equipment maintenance records;
- (j) Necessary utilities and refuse services; and
- (k) All other services necessary or proper for the efficient and safe operation of the Facility, and secure custody, care and housing of inmates, in compliance with all applicable federal, state and local laws and regulations and in compliance with all signed housing agreements.

In regard to 4.01(i) above, the MPC agrees to assign to Operator, when necessary and appropriate, any warranties or guarantees it might have or be entitled to with regard to the Facility, Furniture, Fixtures, and Equipment (FF&E) in order to effect repairs on the Facility, and FF&E, or to give Operator the right to pursue the manufacturer, builder, or other supplier who gave such warranties or guaranties, to seek reimbursement for monies

expended by Operator to meet its repair, upkeep and maintenance obligations under this Agreement to the extent that those expenditures relate specifically to work covered by the subject warranty or guaranty. With respect to any warranties, MPC agrees to cooperate and use its best efforts to assist Operator to recover under such warranties. Extraordinary repairs shall generally be paid or reimbursed out of the Operating Reserve Repair Contingency Fund established under the Trust Indenture where funds are available in that account therefor, unless such is due to the negligence or intentional acts of Operator's employees, or by inmates or is covered by insurance or warranty. Operator's responsibility for extraordinary repairs, where funds are not available in a sufficient amount in the Operating Reserve Repair Contingency Fund to pay for the same, is limited to the proceeds of applicable insurance, unless the need for such repairs was created by the negligence or intentional act of its employees, or by inmates.

- 4.02 Operator shall prepare and furnish such reports as may be required by law to be submitted to the City and the Police Chief with respect to the operation of the Facility or the prisoners detained therein and, in addition, such other reports as may be required by an Arizona state agency or any agency of the United States Government, or by any state or political subdivision thereof from which prisoners have been assigned to the Facility.
- 4.03 Operator shall obtain, and thereafter maintain, the proper certification(s) necessary for the Facility to incarcerate federal, state and local prisoners, and shall maintain such certification(s) at all times. After such certifications have been obtained, if required by the laws of the State of Arizona, the Operator shall provide copies to MPC.
- 4.04 Operator will properly incarcerate all prisoners assigned to the Facility for whom there is space available at the Facility within the statutory and regulatory limits of the Sending Jurisdiction and in accordance with all federal, state, and local laws, ordinances, regulations, and other legal requirements.
- 4.05 Notwithstanding anything contained herein to the contrary, MPC and/or the Trustee shall have no liability whatsoever for any employees of Operator. Operator hereby agrees to indemnify, defend and hold MPC and/or the Trustee harmless from all costs, claims, expenses, and liabilities (including attorneys' fees) whatsoever which may be incurred by MPC and/or the Trustee arising from any and all acts done or omitted to be done by Operator, or the employees, agents and assigns of Operator, in connection with services performed or to be performed under this Agreement.
- 4.06 The interviewing, hiring, training, assignment, control, management, compensation, promotion and termination of all members of the Facility's administration and staff shall be the responsibility and obligation of Operator. Operator will use its best efforts to hire and train local personnel and will report on the status of local hiring on a quarterly basis.
- 4.07 Operator shall use its best efforts to purchase goods and services locally when economically feasible. Prior to the initial purchase of any goods (including, without limitation, FF&E), Operator will conduct a local vendor fair. The intent of this fair is to

provide local vendors with a listing of facility purchase needs. Special emphasis shall be given to food, office supplies and maintenance products.

- 4.08 Operator shall make available to its employees health care benefits that are comparable to those provided by the City to its employees.
- 4.09 Operator shall provide all balance sheets, income statements, inmate rolls, accounting records or reports, audits and other such matters required of MPC and/or the Trustee under the Trust Indenture and this signed Agreement for the Facility, and all Project operation information necessary to carry out MPC and/or the Trustee's continuing disclosure obligations under the Trust Indenture and this Agreement.
- 4.10 The Operator will provide to the Trustee, the Underwriters, and each holder of at least \$1,000,000 in principal amount of Bonds Outstanding who has given notice to the Issuer and the Trustee of its interest in receiving the same, within 60 days after the end of each fiscal quarter of each Fiscal Year of the Issuer, an unaudited statement of income and expenditures with respect to the operation of the Project for such fiscal quarter, and average prisoner census information for each calendar month in each such fiscal quarter.

V. MEDICAL CARE

- 5.01 The Operator shall provide access to medical, optical, and emergency health care in accordance with those standards of Sending Jurisdictions. Operator shall provide on-site nurses and medical technicians to handle sick call and medical assessment and care that does not require a physician or specialist. The Operator shall also contract with a medical doctor to serve as medical consultant for the Facility.
- 5.02 It is the understanding of MPC that all healthcare needs in excess of basic triage are to be performed off-site of the Facility. In addition, it is the understanding of MPC that all costs associated with care in excess of basic triage will be borne by the agency having jurisdiction over the inmates. MPC shall have no obligation for such costs.

VI. COMPLIANCE WITH STANDARDS

- 6.01 Operator shall prepare and adopt a Procedures Manual for the operation of the Facility so as to assure that the Facility is operated fully in accordance with applicable correctional practices and in accordance with the requirements of the contracting jurisdictions.
- 6.02 Operator shall assure that all employees at the Facility are adequately trained to perform at standards required by law.
- 6.03 Operator shall comply with all standards and requirements of the prisoner housing contracts entered into with each Sending Jurisdiction by MPC and provide all services to be provided by MPC under such contracts and pursuant to the terms of such contracts.

- 6.04 The Operator shall conform to all regulations and requirements, as well as seek any necessary accreditations set forth in specific housing agreements for the Facility.
- 6.05 The Operator shall satisfy the requirements of the American Correctional Association.

VII. DUTIES OF THE CITY

- 7.01 The City and the Police Chief will cooperate with Operator in all matters of law enforcement, security and communications. To that end, Operator will immediately inform the City as to the possibility of any escape or missing inmate. In addition, the City will be informed as to any unusual/extraordinary event/occurrence within the Facility, which might create a public concern or be of potential embarrassment to the City.
- 7.02 The City and the Police Chief may assist Operator in the training, at Operator's expense, of Operator employees to operate the Facility.
- 7.03 The City and the Police Chief shall assist and cooperate with Operator in providing information needed by Operator in the screening of candidates for employment.
- 7.04 All jailers must be certified by appropriate State of Arizona Standards or the Sending Jurisdiction's requirements prior to undertaking permanent jailer duties.

VIII. DUTIES OF MPC

- 8.01 MPC and the Operator agree it shall be to their mutual benefit and interest that the Facility be fully utilized by maintaining the maximum prisoner population within statutory or regulatory limits. To this end, and throughout the term of this Agreement, MPC and the Operator agree to cooperate in efforts to obtain maximum prisoner population from the sources set forth in Section 1.01 of this Agreement (e.g., MPC will enter into reasonable and advisable prisoner housing contracts or related agreements; Operator will actively seek to identify potential prisoner sources, etc.). It shall be the responsibility of Operator to assist MPC in seeking out sources of prisoners for incarceration at the Facility, and to assist in negotiation and presentation for acceptance by MPC contracts for the incarceration of prisoners from sources listed in Section 1.01 of this Agreement.

IX. LIABILITY AND INDEMNITY

- 9.01 Operator hereby agrees to defend, hold harmless and indemnify MPC and/or the Trustee, their officers, directors, employees, agents, and representatives, from and against any and all claims, damages, demands, losses, costs and expenses, including attorney's fees, incurred or suffered by MPC and/or the Trustee, their officers, directors, employees, agents, or representatives, arising out of or resulting from any acts done or omitted to be done by Operator or the employees, agents or assigns of Operator pursuant to the provisions of this Agreement.

X. INSURANCE

- 10.01 Operator shall obtain and maintain in force, at its sole cost, risk and expense during the term of this Agreement, a policy or policies of liability insurance in an amount of no less than Five Million Dollars (\$5,000,000.00) in coverage per occurrence, and Five Million Dollars (\$5,000,000) aggregate. Such insurance shall insure against all claims, including claims based on violations of civil rights up to a maximum of One Million Dollars (\$1,000,000.00), arising from services performed by Operator pursuant to this Agreement.
- 10.02 Said policy or policies of insurance shall name the MPC and the Trustee as "additional named insureds".
- 10.03 Operator shall provide and continue in force property insurance coverage in the name of the MPC, and the Trustee as loss payees in amounts equal to the cost of replacement of all of the Facility, and shall maintain and continue fire, boiler and machinery coverage on the Facility. Operator agrees that its negotiated per diem, per prisoner fee with each Sending Jurisdiction has taken this operational expense into account.
- 10.04 Operator shall provide to MPC insurance certificates as proof of the insurance policies obtained in accordance with this Article X. All policies shall provide that coverage shall not be cancelled without thirty (30) days prior written notice to the certificate holder and all additional named insureds and loss payees. Operator shall obtain, as soon as possible (and before cancellation) and at its sole cost, replacement insurance policies.
- 10.05 Operator shall provide workers compensation insurance for its employees at the Facility, which provides the statutorily required coverage, except that employer's liability coverage shall not be in an amount of less than \$1,000,000.
- 10.06 Operator shall carry auto liability insurance coverage in the amount of at least \$1,000,000 per single limit for bodily injury and property damage, with umbrella coverage in an amount not less than \$3,000,000, covering any vehicles used in its operations.
- 10.07 Notwithstanding anything to the contrary in the foregoing sections, Operator shall provide all insurance required of the MPC under the Trust Indenture or this Agreement in the form and naming the insureds and loss payees as required in the Trust Indenture. Operator agrees that the negotiated per diem, per prisoner fee with each Sending Jurisdiction has taken this operational expense into account. This includes business interruption insurance in accordance with Section 6.16 of the Trust Indenture. Section 6.16 of the Trust Indenture provides as follows:

Property Insurance. As Operation and Maintenance Costs, from and after the Completion Date, the Issuer shall procure and maintain continuously in effect with respect to the Project, to the extent of the amount of Bonds Outstanding, all-risk insurance, including coverage for riots, subject only to the standard exclusions contained

in the policy. Issuer also shall obtain business interruption insurance protecting Issuer against the loss of Project Revenues sufficient to pay the average Operation and Maintenance Costs and annual debt service payments due hereunder for a period of one year. The proceeds of such business interruption insurance shall be paid to the Project Fund and applied as provided herein if and to the extent that other moneys (other than moneys held in the Reserve Fund) are not available to pay Operation and Maintenance Costs and make the annual debt service payment. All policies (or endorsements or riders) evidencing insurance required by this Section 6.16 shall be carried in the names of Issuer and Trustee as their respective interests may appear and shall name Trustee as mortgagee and loss payee. The Net Proceeds of insurance required by this Section 6.16 shall be applied as in Section 6.24 hereof.

XI. APPROVAL AND MONITORING BY CITY POLICE CHIEF

- 11.01 The Police Chief shall periodically monitor the operation of the Facility, and, to this end, the Police Chief or his designated representative shall conduct a thorough on-site inspection of the Facility no less than once each month throughout the term of this Agreement. Such monitoring shall not create any liability to the City or the Police Chief, and shall not be a basis for release or defense to liability of the Operator.

XII. MAINTENANCE, UPKEEP AND REPAIR

- 12.01 All ordinary maintenance, upkeep and repair costs for the Facility shall be paid by Operator pursuant to subsection 4.01(i) of this Agreement except as otherwise provided therein. Operator agrees that the negotiated per diem, per prisoner fee with each Sending Jurisdiction has taken this operational expense into account.

XIII. TAXES AND GOVERNMENTAL CHARGES

- 13.01 Operator shall be responsible for any taxes or governmental charges of any kind assessed or incurred after the effective date of this Agreement which are levied or imposed on the Facility and related property. To the extent that such taxes are chargeable against the Facility and found by a final non-appealable judgment of a court of competent jurisdiction to be due and owing, they shall be paid out of the Operating Account or any reserve accounts available for payment thereof as amounts due or payable under the Trust Indenture or this Agreement. Such amounts are not a responsibility or debt of MPC. This Facility is intended to be, and under current law, should be exempt from property taxation. MPC is the owner of taxable title to the Facility based on current interpretations and decisions.

XIV. ADDITIONAL PROVISIONS

- 14.01 Notwithstanding anything to the contrary contained herein, in the event any bankruptcy, reorganization debt arrangement, moratorium, proceeding under any bankruptcy or insolvency law or dissolution or liquidation proceeding is instituted by Operator, or if instituted against Operator, is consented to or acquiesced in by Operator and is not

dismissed within sixty (60) days, the Agreement shall be immediately terminated and canceled, and the MPC shall immediately assume responsibility for the operation, management and supervision of the Facility.

- 14.02 If either party is found in material breach of this Agreement, said party shall have ninety (90) days, from notification of said breach, to correct or rectify said matter. In the event breaching party makes a good faith effort to correct or rectify said matter, however, more time is required due to unforeseen or uncontrollable circumstances, both parties shall negotiate in good faith as to an appropriate time frame to correct or rectify said matter. If material breach is not corrected for rectified in accordance with above, said contract shall terminate in thirty (30) days.
- 14.03 If a dispute arises out of or relates to this Agreement, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute through mediation before resorting to arbitration, litigation or some other dispute resolution procedure. In the event that the parties cannot agree upon the selection of a mediator within seven (7) days, either party may request the presiding judge of the Superior Court of Yuma County to assign a mediator from a list of mediators maintained by the Arizona Municipal Risk Retention Pool, an Arizona nonprofit corporation. Mediation, arbitration or other form of dispute resolution proceeding must be commenced within the time for bringing claims against the City as permitted by A.R.S. § 12-821 and Operator shall file a notice of claim against the City within 180 days after the claim accrues. The failure to commence such mediation, arbitration or other form of dispute resolution proceeding shall not bar the accrual of any such claim. However, if mediation, arbitration or other form of dispute resolution proceeding is commenced prior to the expiration of the 180 day period provided for in A.R.S. § 821.01, then such 180 day period shall abate during the pendency of such mediation, arbitration or other form of dispute resolution proceeding.
- 14.04 Commissary services procurement shall be made utilizing sound and acceptable business and accounting practices. Commissary proceeds will be controlled by the Operator, and to be used only for inmate welfare purposes or costs associated with the operation of the Commissary at the Facility.
- 14.05 This City is a third party beneficiary of the Operator's obligations under Section 3.01 and Section 3.02 of this Agreement.

XV. APPLICABLE LAW AND VENUE; LEGAL CONSTRUCTION; MISCELLANEOUS

- 15.01 Applicable Law and Venue. This Agreement shall be construed under and in accordance with the laws of the State of Arizona, and all obligations of the parties created hereunder are performable in San Luis, Arizona. Any legal action relating to this Agreement shall be brought in either the Yuma County Superior Court or in the United States District Court for the District of Arizona at the election of the plaintiff in such legal action, provided, however, that nothing in this Section 15.01 will be deemed to have authorized

the bringing of any legal action in a court which does not otherwise have jurisdiction to adjudicate the legal action. This Agreement is subject to termination pursuant to A.R.S. § 38 - 511.

- 15.02 **Severability.** Every provision of this Agreement is, and will be construed to be, a separate and independent covenant. If any provision of this Agreement or the application of the same is, to any extent, found to be invalid or unenforceable, then the remainder of this Agreement or the application of that provision to circumstances other than those to which it is invalid or unenforceable, will not be affected by that invalidity or unenforceability, and each provision of this Agreement will be valid and will be enforced to the extent permitted by the law, and the parties will negotiate in good faith for such amendments of this Agreement which may be necessary to achieve its intent, notwithstanding such invalidity or unenforceability.
- 15.03 **Assignment.** This Agreement is not assignable unless both parties mutually consent otherwise in writing. The requirements of this Agreement are binding upon the heirs, executors, administrators, successors and assigns of all parties.
- 15.04 **Void/Voidable.** If for any reason this Agreement shall be held void or voidable, or otherwise be held unlawful, this Agreement shall immediately terminate, and Operator shall have no claim or right of action against MPC, its officials, its employees, its agents or its attorneys for any such termination or alleged act or omission related to the same.
- 15.05 **Employment Eligibility.** Operator hereby warrants, and shall require its subcontractors to warrant, that it is in compliance with all federal immigration laws and regulations that relate to its employees and with A.R.S. §23-214 relating to verification of employment. A breach of this warranty shall be deemed a material breach of this Agreement and is subject to penalties up to and including termination of this Agreement. The City and MPC retain the legal right to inspect the papers of Operator or any subcontractor employee who works to service the obligations of Operator to ensure that Operator or its subcontractors are complying with this warranty.
- 15.06 **Sudan/Iran Investments and Business Operations.** By entering into this Agreement, Operator certifies that it does not have scrutinized business operations in Iran or Sudan as those terms are defined in A.R.S. §35-391 et seq.
- 15.07 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and such signature pages all attached to a single instrument so that the signature of all parties may be physically attached to a single document.
- 15.08 **Headings.** The descriptive headings of the Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

15.09 Further Acts. Each of the parties hereto shall execute and deliver all such documents and perform all such acts as reasonably necessary, from time to time, to carry out the matters contemplated by this Agreement.

15.10 Time is of the essence of this Agreement. Time is of the essence of this Agreement.

15.11 No Partnership and Third Parties. It is not intended by this Agreement to, and nothing contained in this Agreement shall, create any partnership, joint venture or other similar arrangement between the City, MPC or Operator. No term or provision of this Agreement is intended to, or shall, be for the benefit of any person, firm, organization or corporation not a party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder.

15.12 No Personal Liability. No member, official or employee of the City or MPC shall be personally liable to Operator, or any successor or assignee, (a) in the event of any default or breach by MPC or the City, (b) for any amount which may become due to the Operator or its successor or assign, or (c) pursuant any obligation of MPC or the City under the terms of this Agreement

XVI. NOTICES

16.01 Notices required to be given hereunder by any party to the other shall be in writing and shall be valid if actually received by the party to whom such notice is given or if deposited in the United States Mail, postage prepaid and addressed to the party as herein below specified. The effective date for noticing shall be the date actually received by the party to whom notice is being given. Notices to the MPC shall be delivered or sent as follows:

MPC Address and Contact: SAN LUIS FACILITY DEVELOPMENT
CORPORATION
1090 E. Union Street
P.O. Box 1170
San Luis, Arizona 85349
Attn: City Manager

Notices to Operator shall be EMERALD CORRECTIONAL MANAGEMENT, L.L.C.
delivered or sent as follows: 400 Travis Street, Suite 402
Shreveport, LA 71101
Attention: Clay M. Lee

With a copy to: Ayres, Warren, Shelton & Williams, L.L.C.
Attention: Mr. J. Benjamin Warren, Jr.
333 Texas Street, 14th Floor
Shreveport, LA 71101

Notices to the Trustee shall be U. S. BANK NATIONAL ASSOCIATION

delivered or sent as follows: 950 17th Street, Suite 300
 Denver, CO 80202
 Attention: Corporate Trust Services

XVII. EXECUTION AUTHORITY

17.01 By his or her signature below, each signatory individual certifies that he or she is the properly authorized agent or officer of the applicable party hereto, and has the necessary authority to execute this Agreement on behalf of such party, and each party hereby certifies to the other that any resolutions necessary to create such authority have been duly passed and are now in full force and effect.

XVIII. AMENDMENT

18.01 This Agreement may be amended only by a written instrument specifically purporting to amend this Agreement and executed by all parties hereto.

XIX. ENTIRE AGREEMENT

19.01 This Agreement supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter, provided that to the extent that either MPC and/or Operator already have any existing rights and/or obligations pursuant to the Initial Agreement, then such parties shall respectively maintain those rights and be responsible for those obligations. For the sake of clarity, this Agreement is not intended to revoke, sever or terminate the rights existing under the Initial Agreement, but is intended to initiate new rights and obligations of the parties hereto as of the Effective Date.

[Signatures on Next Page]

SIGNED this ____ day of _____, 2010.

EMERALD CORRECTIONAL MANAGEMENT, L.L.C.
Operator

By: Clay Lee

Print Name: Clay Lee

Title: Manager

ATTEST: Paul W. Jr.

MPC

By: _____

Print Name: _____

Title: _____

ATTEST:

Corporate Secretary

SIGNED this ____ day of _____, 2010.

EMERALD CORRECTIONAL MANAGEMENT, L.L.C.
Operator

By: _____

Print Name: _____

Title: _____

ATTEST:


MPC

By:  _____

Print Name: MICHAEL TREND

Title: PRESIDENT

ATTEST:

 _____

Corporate Secretary

**EXHIBIT A
TO
AMENDED AND RESTATED FACILITY OPERATIONS AND
MANAGEMENT AGREEMENT**

*Management Fee to be Paid to Emerald

The following Schedule 1 of Exhibit A shall apply from the Commencement Date to the New Expansion Date:

A) Schedule 1

Effective Start Date of Commencement Date	Fixed Periodic Fee	Variable Fee Per Diem Rate
<u>Through March 30, 2010</u>		
For each 28-day month the Monthly Management Fee shall be:	\$495,550.00	\$35.00
For each 29-day month the Monthly Management Fee shall be:	\$520,838.00	\$35.00
For each 30-day month the Monthly Management Fee shall be:	\$546,125.00	\$35.00
For each 31-day month the Monthly Management Fee shall be:	\$571,412.00	\$35.00
 <u>April 1, 2010 through March 30, 2011</u>		
For each 28-day month the Monthly Management Fee shall be:	\$537,200.00	\$37.00
For each 29-day month the Monthly Management Fee shall be:	\$563,975.00	\$37.00
For each 30-day month the Monthly Management Fee shall be:	\$590,750.00	\$37.00
For each 31-day month the Monthly Management Fee shall be:	\$617,525.00	\$37.00
 <u>April 1, 2011 through March 30, 2012</u>		
For each 28-day month the Monthly Management Fee shall be:	\$572,900.00	\$39.00
For each 29-day month the Monthly Management Fee shall be:	\$600,950.00	\$39.00
For each 30-day month the Monthly Management Fee shall be:	\$629,000.00	\$39.00
For each 31-day month the Monthly Management Fee shall be:	\$657,050.00	\$39.00

**EXHIBIT A
TO
FACILITY OPERATIONS AND
MANAGEMENT AGREEMENT**

***Management Fee to be Paid to Emerald**

The following Schedule 2 of Exhibit A shall apply from the
New Expansion Date forward:

B) Schedule 2

Effective Start Date of Management Contract upon <u>Completion Phase II (Until new per diem)</u>	<u>Fixed Periodic Fee</u>	Variable Fee Per Diem <u>Rate</u>
For each 28-day month the Monthly Management Fee shall be:	\$1,164,616.00	\$50.00
For each 29-day month the Monthly Management Fee shall be:	\$1,220,416.00	\$50.00
For each 30-day month the Monthly Management Fee shall be:	\$1,276,216.00	\$50.00
For each 31-day month the Monthly Management Fee shall be:	\$1,332,016.00	\$50.00

Court Order on Forbearance of Bonds

December 5, 2016

Accepting

Interim Agreement Regarding Forbearance, Operation of Project and Project Revenues

Waterfall:

(See Summary in Order, Page 5, Paragraph 9)

1. Trustee fees
2. Bond Interest
3. Operations (Included Operations and City's License Fee, Flat \$17,000 per month)
4. Bond Principal
5. Operating Reserve (Reserve for paying bonds under contingencies that may arise and for repair of building)
6. Surplus
 - a. 80% to operator (LaSalle)
 - b. 25% of that 80% to the City's License Fee in addition to the flat \$17,000

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

In the Matter of Trusteeship created by San Luis Facility Development Corporation Pursuant to the Trust Indenture Dated as of October 1, 2005, as Amended, Relating to the Issuance of San Luis Facility Development Corporation Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014 and Series 2014-A

Case Type: Other
File No. 62-TR-CV-16-46

**FINDINGS OF FACT, CONCLUSIONS OF LAW, DIRECTIONS
AND ORDER FOR JUDGMENT**

The above matter was heard by the Court on December 5, 2016, on the petition (the "Petition") of U.S. Bank National Association ("U.S. Bank" or "Petitioner") in its capacity as trustee (in such capacity, the "Trustee") for the above-captioned trust (the "Trust") created pursuant to the Trust Indenture dated as of October 1, 2005, between San Luis Facility Development Corporation, as issuer (the "Issuer"), and the Trustee, as supplemented by that certain First Supplemental Indenture dated as of February 1, 2011, Second Supplemental Indenture dated as of March 27, 2014, Third Supplemental Indenture dated as of April 1, 2014, and Fourth Supplemental Indenture dated as of July 1, 2014 (as further amended or supplemented from time to time, the "Indenture"). As indicated in the Petition, pursuant to the Indenture the Issuer issued certain taxable refunding revenue bonds that are secured by a deed of trust and a pledge of revenues generated from a privately-operated secure detention facility (the "Project" or "Facility") located near the City of San Luis, Arizona, on the U.S.-Mexico border.

The Trustee filed the Petition to obtain authority to, among other things, enter into and perform under a forbearance agreement with the Issuer and the Project operator, Emerald

Correctional Management LLC ("Emerald" or the "Operator"), to prevent the closure of the Facility in April of 2017, all as more particularly described in the Petition. James F. Killian and Ana Chilingarishvili of Maslon LLP appeared on behalf of the Trustee in support of the Petition. Keith R. Marshall, a Vice President in the Global Corporate Trust Services group of U.S. Bank, testified in support of the relief requested in the Petition.

This Court, being fully advised as to the facts and issues involved herein, and due and timely notice having been given to the Trust's beneficiaries, makes the following Findings of Fact, Conclusions of Law, Directions and Order for Judgment:

FINDINGS OF FACT

Issuance of the Bonds and Existing Management Agreement

1. Pursuant to the Indenture, specifically the Third Supplemental Trust Indenture dated as of April 1, 2014, the Issuer issued its Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014 in the original aggregate principal amount of \$26,090,000 (the "Series 2014 Bonds"). Subsequently, pursuant to the Fourth Supplemental Trust Indenture dated as of July 1, 2014, the Issuer issued its Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014-A in the original aggregate principal amount of \$20,835,000 (the "Series 2014-A Bonds" and together with the Series 2014 Bonds, the "Bonds"). As of the date of the Petition, the aggregate principal amount of the Bonds outstanding was \$43,285,000, of which \$24,590,000 were Series 2014 Bonds, and \$18,695,000 were Series 2014-A Bonds.

2. Proceeds of the Bonds were used primarily to refund all of the tax-exempt bonds that had been previously issued under the Indenture in connection with the Issuer's acquisition and construction of the Project. The indebtedness evidenced by the Bonds is

non-recourse indebtedness that is secured by the Issuer's pledge of Project Revenues (as defined in the Indenture) generated through the operation of the Facility and a deed of trust and a lien on all real and personal property comprising the Project. A true and correct copy of the Indenture, including all supplemental indentures, was admitted into evidence as Exhibit 1.

3. Since 2010, the Facility has been operated by Emerald under an Amended and Restated Facility Operation and Management Agreement, executed by Emerald and the Issuer (the "Existing Management Agreement"). Under the terms of Existing Management Agreement, the Operator is required to operate and manage the Facility in accordance with specified industry standards until the agreed upon termination date, which is currently April 3, 2017. The Existing Management Agreement provides that it automatically renews for two additional, successive five-year terms, unless either Emerald or the Issuer notifies the other party of its election to cancel the forthcoming renewal term not less than 60 days prior to the existing term's expiration, i.e., in this case, February 1, 2017.

4. Under the terms of the Indenture, all Project Revenues generated from the operation of the Facility are pledged to the Trustee and are delivered directly to the Trustee each month for payment of the Bonds and certain other charges, including payments or reimbursements to the Operator for operating costs and expenses, subject to the priorities set forth in the Indenture. In the Existing Management Agreement, the Operator agreed to advance the costs of operating and managing the Facility and to be reimbursed and paid solely from the Project Revenues that the Trustee has remaining each month after making deposits to cover principal and interest payments on the Bonds (and certain other prior transfers, such as replenishment of the Reserve Funds) under the Indenture. As indicated in

the Petition, in light of this financing structure, Emerald claims that in 2015 and the first part of 2016, Emerald incurred substantial operating losses.

Event of Default under the Indenture and Operator's Request for Relief

5. An Event of Default occurred under Section 7.01(d) of the Indenture in April 2016 due to the failure of the Issuer to provide, or to cause the Operator to provide (after notice and an opportunity to cure), certain Project financial and census information in accordance with the Indenture. On April 25, 2016, the Trustee notified all Bondholders of the occurrence of an Event of Default and invited them to a telephonic meeting to discuss the status of the Project and the next steps in the administration of the Trust. A true and correct copy of the Trustee's April 25, 2016 notice to Bondholders was admitted into evidence as Exhibit 2. As of the date of hearing on the Petition, this Event of Default was continuing and, as a result, the Trustee continues to be subject to the prudent person standard of care set forth in Section 8.01 of the Indenture.

6. In the early summer of 2016, the Issuer informed the Trustee that it expected the Operator not to renew the Existing Management Agreement beyond the April 3, 2017 termination date, unless the risks of Operator non-payment and non-reimbursement were addressed. The Issuer also indicated concern about the Operator's failure to pay certain fees owing to the Issuer under the Existing Management Agreement as a result of the Operator not receiving sufficient Project Revenues.

7. In response to these concerns, in June 2016, the Trustee and its legal counsel met with the representatives of the Operator and the Issuer to discuss the Operator's grievances and potential ways to induce the Operator to extend the term of the Existing Management Agreement so as to prevent closure of the Facility. At this meeting, the

Operator presented information supporting its view that the low inmate populations were not the result of operational problems or a failure to market the Facility appropriately. At the meeting, the Trustee requested additional information from the Operator regarding its proposed solution. Following numerous exchanges with the Operator and the Issuer, and after an evaluation of available options, the Trustee began to negotiate with the Issuer and the Operator for an interim solution that would prevent shutdown of the Facility in the short term while preserving the ability of the Trustee and Bondholders to address longer term strategies for the maximization of Bondholder recovery.

Interim Forbearance Agreement and Renewed Management Agreement

8. After several months of discussions and negotiations, on October 20, 2016, the Trustee, the Issuer and the Operator entered into an Interim Agreement Regarding Forbearance, Operation of Project and Project Revenues (the "Forbearance Agreement"), a copy of which was admitted into evidence as Exhibit 3. Contemporaneously with the execution of the Forbearance Agreement, the Issuer and the Operator entered into a Revised Amended and Restated Facility Operation and Management Agreement (the "Revised Management Agreement"), which was acknowledged by the Trustee by its signature. A copy of the Revised Management Agreement was admitted into evidence as Exhibit 4.

9. The Forbearance Agreement generally provides that during an "Interim Restructuring Period," which is defined as the period beginning on September 1, 2016 and continuing until the termination of the Forbearance Agreement, any Project Revenues generated by the Operator's operation of the Facility that are actually received by the Trustee (usually, two months later) are to be applied using a new priority which is designed to give greater protection to the Operator. Under the terms of the Forbearance Agreement, each calendar month in the Interim Restructuring Period is referred to as the "Operations Month."

Specifically, the Forbearance Agreement provides that rather than using the Project Revenues to first set aside installments of Bond principal and interest amounts next coming due, as required by Section 5.06(b) of the Indenture, Project Revenues attributable to each Operations Month will instead be used, after first paying any outstanding Trustee's fees and expenses (as currently permitted by the Indenture) and after setting aside moneys for payment of interest on the Bonds (as currently permitted by the Indenture), to make deposits to the Operating Account in order to (a) pay or reimburse the Operator for the costs of operating the Facility for that Operations Month and, to the extent there are any unpaid operating costs attributable to any prior Operations Months, to make up such deficiencies, (b) pay \$17,000 monthly fee to the Issuer (the "Issuer Fee") and, to the extent there are any unpaid Issuer Fees attributable to prior Operations Months, to make up such deficiencies, and (c) pay a fee to the Operator equal to 6% of the operating costs incurred for such Operations Month (such amount, the "Monthly Operator G&A") and, to the extent there are any prior unpaid Monthly Operator G&A attributable to prior Operations Months, to make up such deficiencies. Only after these amounts under (a) through (c) are first covered in each Operations Month, to the extent there are any remaining Project Revenues, the Trustee will then use such remaining Project Revenues attributable to that Operations Month to set aside moneys for payment of principal on the Bonds under Section 5.06(b) of the Indenture. In consideration, the Operator has agreed to waive all unpaid fees and expenses and rights to reimbursement for all periods prior to September 1, 2016. If the inmate populations soar during the Interim Restructuring Period and the Facility performs at a level that is higher than needed to keep all deposits for Bond interest and principal current, the Forbearance

Agreement contains additional provisions for an incentive fee payable from certain excess Project Revenues to be shared by the Operator and the Issuer.

10. To summarize, the Forbearance Agreement provides for a compromised allocation of Project Revenues generated by the Operator during each of the Operations Months in the Interim Restructuring Period. The Interim Restructuring Period is subject to termination upon the occurrence of a number of events including, but not limited to, a direction by the holders of over 66 2/3% of the principal amount of Bonds to the Trustee, a restructuring of the Bond indebtedness, termination of the Revised Management Agreement, or, subject to Trustee's discretion, December 1, 2018. This Interim Restructuring Period is designed to provide the Bondholders and the Trustee with sufficient time and opportunity to evaluate all available options and develop a permanent solution without the April 2017 Facility closure risk looming.

11. Concurrently with the execution of the Forbearance Agreement, the Issuer and the Operator entered into, and the Trustee acknowledged, the Revised Management Agreement. Under the terms of the Revised Management Agreement, the Operator would be committed to continue to operate and manage the Facility during the Interim Restructuring Period, but has an early termination right if aggregate operating losses incurred by the Operator in the Interim Restructuring Period, i.e., operating fees and expenses of the Operator that are not paid or reimbursed from Project Revenues even with the compromised priorities set forth in the Forbearance Agreement, exceed \$250,000, all as more particularly described in the Revised Management Agreement.

Bondholder Meeting and Trustee's Notice

12. Prior to the filing of the Petition, on October 6, 2016, the Trustee provided all Bondholders with a notice (the "October 2016 Notice") to inform them that the Trustee was negotiating with the Issuer and the Operator regarding the terms of the Forbearance Agreement. A true and correct copy of the October 2016 Notice was admitted into evidence as Exhibit 5. The Indenture provides that after the occurrence of an Event of Default, holders of not less than 66 2/3% in aggregate principal amount of outstanding Bonds may direct the Trustee's actions, including enforcement of remedies. In the October 2016 Notice, the Trustee provided all Bondholders with a general description of the terms of the Forbearance Agreement and specifically reminded all Bondholders of their right to direct the Trustee's actions under the Indenture. In the October 2016 Notice, the Trustee invited Bondholders to a telephonic meeting to address any related questions or concerns.

13. On October 19, 2016, the Trustee held a telephonic meeting, which was attended by various Bondholders. At that meeting, the Trustee and its legal counsel provided additional background regarding events leading up to the Forbearance Agreement and answered Bondholder questions relating to forbearance terms. Bondholders who attended the call indicated that they were generally in agreement with the proposed terms of the Forbearance Agreement. None of the participating Bondholders expressed objections.

CONCLUSIONS OF LAW

1. This Court has *in rem* jurisdiction over the Petition pursuant to Minn. Stat. § 501C.0202(24) in that the Trustee, located in the State of Minnesota, is seeking an instruction from the Court instructing the Trustee regarding administration of the Trust and discharge of the Trustee's duties under the Indenture.

2. This petition is properly venued in this Court pursuant to Minn. Stat. § 501C.0207(a)(2)(i) because the Petitioner, as Trustee, has a corporate trust office in St. Paul, Minnesota.

3. The Trustee has fully complied with all of the notice and publication requirements set forth in Minn. Stat. § 501C.0203 subd. 1. (See Exhibits 6 and 7 admitted into evidence).

4. Pursuant to Minn. Stat. § 501C.0204 subd. 1, this Order is final as to all matters determined by it and binding *in rem* upon the Trustee, the Trust, and upon the interests of all beneficiaries of the Trust, vested or contingent, even though unascertained or not in being, including, but not limited to, all Bondholders and their successors-in-interest and assigns, and other parties-in-interest, if any.

5. The Trustee's execution of the Forbearance Agreement and consent to and acknowledgement of the Revised Management Agreement, and any and all actions taken by the Trustee thereunder or in connection therewith, are prudent and reasonable and satisfy any and all duties of the Trustee under the Indenture and any other Trust documents, and the Trustee shall not be liable to any holders of the Bonds or other party for complying with this Court's Order.

DIRECTIONS AND ORDER FOR JUDGMENT

1. The Petition of U.S. Bank National Association, as Trustee, for Instructions in the Administration of Trust Pursuant to Minn. Stat. § 501C.0202, is hereby granted.

2. The Court further specifically hereby orders as follows:

i. The Trustee's execution of and performance under the terms of the Forbearance Agreement including, without limitation, allocation of Project Revenues pursuant to the terms thereof, are hereby approved and authorized;

ii. The Trustee's consent to and acknowledgement of the Revised Management Agreement are hereby approved and authorized;

iii. The Trustee is authorized to take such further or additional actions as may be necessary or appropriate in connection with the Forbearance Agreement and the Revised Management Agreement;

iv. The Trustee's execution of the Forbearance Agreement and consent to and acknowledgement of the Revised Management Agreement, and any and all actions taken by the Trustee thereunder or in connection therewith, are prudent and reasonable and satisfy any and all duties of the Trustee under the Indenture and any other Trust documents, and the Trustee shall not be liable to any holders of the Bonds or other party for complying with this Court's Order;

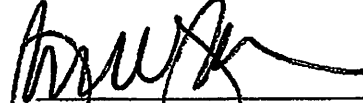
v. This Order is binding upon the Trustee, the Trust, and upon the interests of all beneficiaries of the Trust, vested or contingent, even though unascertained or not in being, including, but not limited to, all Bondholders and their successors-in-interest and assigns, and other parties-in-interest, if any;

vi. On and after the date hereof, the Trust shall be terminated from this Court's jurisdiction and the Trust and the Trustee shall not be subject to the continuing supervision of the Court for the purposes of Minn. Stat. §§ 501C.0201 (c)(2), 501C.0205 or General Rule of Practice 417.02.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated: 12.5, 2016

BY THE COURT:



The Honorable Jennifer L. Frisch
Judge of the District Court

**INTERIM AGREEMENT REGARDING FORBEARANCE, OPERATION OF
PROJECT AND PROJECT REVENUES**

This Interim Agreement Regarding Forbearance, Operation of Project and Project Revenues (this "Agreement") is entered into on this 20th day of October 2016, by and among **U.S. Bank National Association**, solely in its capacity as trustee (in such capacity, the "Trustee") under that certain Trust Indenture dated as of October 1, 2005 (as amended from time to time, the "Indenture"), **San Luis Facility Development Corporation** (the "Issuer") as the issuer of the Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014 issued as of April 1, 2014 in the original aggregate principal amount of \$26,090,000 and the Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014-A issued as of July 1, 2014 in the original aggregate principal amount of \$20,835,000 (collectively, the "Bonds"), and **Emerald Correctional Management L.L.C.**, a limited liability company organized under the laws of the state of Louisiana, as the operator (the "Operator") of the San Luis Detention Facility (the "Project") under the terms of that certain Amended and Restated Facility Operation and Management Agreement entered into by the Operator and the Issuer in 2010 (as amended from time to time prior to the date hereof, the "Management Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture or in the Management Agreement.

WHEREAS, the Project consists of a 869-bed secure detention facility located in San Luis, Arizona, and certain related property rights, and is currently being managed and operated by the Operator under the terms of the Management Agreement;

WHEREAS, all Project Revenues from the Project are pledged to the Trustee as security for payment of the Bonds and are required to be delivered directly to the Trustee for application pursuant to the terms of the Indenture;

WHEREAS, under the terms of the Indenture, including Section 5.06 thereof, Project Revenues are to be used first to make provision for the payment of Bond interest and principal (and certain other charges, including all Trustee fees and expenses) and, thereafter, to the extent there are remaining available Project Revenues, to pay or reimburse, as applicable, the Operation and Maintenance Costs and Operator Fees payable to the Operator pursuant to the Management Agreement;

WHEREAS, in light of the foregoing priority provisions under the Indenture, as a result of insufficient Project Revenues, the Operator has suffered substantial losses during the term of the Management Agreement and the Issuer has not received Detention Facility Business License Fees;

WHEREAS, because of the significant losses incurred to date by the Operator, and in an effort to support the continued viability of the Project, the Issuer on behalf of the City of

EXECUTION VERSION

San Luis (the "City") has voluntarily suspended its Detention Facility Business License Fee under the terms of the Management Agreement.

WHEREAS, the Trustee has been informed by the Operator that the Operator will not renew the Management Agreement upon its expiration in April 2017 without certain assurances that it will be protected from losses associated with the insufficiency of Project Revenues to pay Operation and Maintenance Costs on an ongoing basis;

WHEREAS, Events of Default under the Indenture have occurred and are continuing at this time, and the Trustee desires to prevent the loss of the Operator and the related risk of discontinued operation of the Project after April 2017, which could result in a cessation of Project Revenues, which is the primary source of payment for the Bonds;

WHEREAS, subject to the terms and conditions herein, the parties have agreed during a limited forbearance period defined herein as the Interim Restructuring Period, to dedicate Project Revenues generated by the Operator's operation of the Project to the payment of Operation and Maintenance Costs and specified related obligations prior to setting aside funds for the payment of principal on the Bonds in consideration of the Operator's agreement to extend the term of the Management Agreement under revised terms;

WHEREAS, economic relief to the Operator during the Interim Restructuring Period may be required in order to keep the going concern value of the Project intact while the Issuer seeks Bondholder consent and satisfaction of the other conditions precedent to a full restructuring of the Bond indebtedness and entry into a formal supplemental indenture to effect the same; and

WHEREAS, the Trustee's actions hereunder are being taken pursuant to its powers to protect the interests of Bondholders under Article VII of the Indenture and are subject, among other things, to court approval after notice and opportunity for all Bondholders to be heard.

NOW, THEREFORE, the parties for the consideration set forth herein, the sufficiency and delivery of which is acknowledged, hereby agree as follows:

1) Payment of Revised Operation and Maintenance Costs during Interim Restructuring Period. The parties hereby agree that during the period beginning on the Effective Date of this Agreement and ending on the Termination Date, each such term as defined below (such period, the "Interim Restructuring Period"), all Project Revenues generated from the operation of the Project by the Operator and actually received by the Trustee (even if such Project Revenues are received after the end of the Interim Restructuring Period) and attributable to any calendar month in the Interim Restructuring Period (each such month, the "Operations Month"), shall be applied, for each Operations Month during the Interim Restructuring Period, as follows:

EXECUTION VERSION

- a) First, to pay any outstanding Trustee's fees and expenses (including, without limitation, reasonable attorneys' fees), which fees and expenses shall continue to be a first charge on Project Revenues as provided in the Indenture;
- b) Second, to make transfers to the Bond Fund as required by Subsection 5.06(b)(i) of the Indenture (and related payments) for payment of interest on the Bonds (including deposits needed to cover any shortfalls in the deposits of interest in prior Operations Months), and such amounts shall be applied in accordance with the Indenture. For the avoidance of doubt, transfers to the Bond Fund pursuant to this Section 1(b) shall be made prior to Project Revenues being deposited to the Operating Account for payment of Revised O&M pursuant to Section 1(c) below;
- c) Third, to make transfers to the Operating Account in the amount equal to (i) the Operation and Maintenance Costs incurred by the Operator for such Operations Month, as certified pursuant to Section 2 below, together with any unpaid Operation and Maintenance Costs for any prior Operations Months that were not previously paid due to insufficient Project Revenues, plus (ii) to the extent there are any remaining Project Revenues in the General Account for such Operations Month after payment of the amounts under Sections 1(a), (b) and (c)(i) of this Agreement, \$17,000, which (if paid to the Operator) the Operator agrees to pass through to the Issuer on behalf of the City as the Detention Facility Business License Fee (the "Issuer Fee"), together with any unpaid Issuer Fees for any prior Operations Months that were not previously paid due to insufficient Project Revenues, plus (iii) to the extent there are any remaining Project Revenues in the General Account for such Operations Month after payment of the amounts under Sections 1(a), (b) and (c)(i) and (c)(ii), an amount equal to 6% of the amount paid under Section (c)(i) above with respect to the Operation and Maintenance Costs for that Operations Month only (such amount, the "Monthly Operator G&A"), together with any unpaid Monthly Operator G&A for any prior Operations Months that were not previously paid due to insufficient Project Revenues (amounts under the foregoing clauses (i), (ii) and (iii) are collectively referred to herein as the "Revised O&M"); at the direction of the Issuer, the Trustee shall make payments under clause (ii) above directly to the Issuer on behalf of the City;
- d) Fourth, to make transfers to the Bond Fund as required by Subsection 5.06(b)(ii) of the Indenture for payment of principal on the Bonds (including deposits needed to cover any shortfalls in the deposits of principal in prior Operations Months) and such amounts shall be applied in accordance with the Indenture. For the avoidance of doubt, transfers to the Bond Fund pursuant to this Section 1(d) shall occur to the extent of available Project Revenues immediately after any required funding of the Revised O&M with respect to that Operations Month pursuant to Section 1(c) above;

EXECUTION VERSION

- e) Fifth, to the extent that there are sufficient available Project Revenues after satisfaction of the above priorities for that Operations Month and all prior Operations Months (including, without limitation, any required deposits to the Reserve Funds to replenish any deficiencies therein), deposits shall be made to the Operating Reserve/Repair/Contingency Account up to \$15,000 per Operations Month;

- f) Sixth, to the extent that there are sufficient available Project Revenues after satisfaction of the above priorities for that Operations Month and all prior Operations Months (including, without limitation, any required deposits to the Reserve Funds to replenish any deficiencies therein) and Project Revenues attributable to such period would be sufficient under the existing terms of Section 5.06 of the Indenture to make a deposit into the Surplus Account, then 80% of the amount of such Project Revenues that would have been deposited into the Surplus Account will instead be paid to the Operator as an additional monthly fee (the "Incentive Fee"), of which 25% of the Incentive Fee amount shall be paid directly to the Issuer on behalf of the City (i.e., 25% of the 80%). During the Interim Restructuring Period, the Issuer, the City and Operator shall not be entitled to any other fee or payment from Project Revenues not set forth in this Agreement.

The above priorities for the deposit and application of Project Revenues by the Trustee shall apply only for the Operations Months occurring during the Interim Restructuring Period, and the provisions of the Indenture with respect thereto shall apply fully to all calendar months before and after the Operations Months occurring during the Interim Restructuring Period. By way of clarification, to the extent that the Reserve Funds fall below the specified Reserve Requirement during the Interim Restructuring Period by reason of the payment of the Trustee's fees and expenses, interest on the Bonds or principal on the Bonds, the Trustee shall transfer Project Revenues to replenish such deficiencies in the Reserve Funds at the same priority as the payment for which the funds resulting in that deficiency were used. As an example, if a deficiency results in the Reserve Funds due to the payment of interest on the Bonds, Project Revenues shall be transferred to the Reserve Fund to replenish such deficiency using the priority under section 1(b) above. Nothing herein shall obligate the Trustee to apply moneys held in the Reserve Funds to the payment of Operation and Maintenance Costs or the Revised O&M.

2) Certification of Monthly Operation and Maintenance Costs. The Operator hereby agrees that during the Interim Restructuring Period, it shall submit to the Trustee and, if requested, to the Issuer, a monthly summary of all Revised O&M costs and expenses incurred in each Operations Month (the "Monthly O&M Summary"), beginning with September 2016, which shall be the first Operations Month. Each Monthly O&M Summary shall include a certification by the Operator certifying that all amounts listed therein represent the actual costs and expenses incurred in the operation of the Project during the relevant Operations Month. Monthly O&M Summary for each Operations

EXECUTION VERSION

Month shall be provided to the Trustee no later than the last business day of the calendar month immediately following such Operations Month. The Operator hereby agrees that if requested by the Trustee or the Issuer, the Operator shall provide copies of all invoices and other commercially reasonable documentation with respect to the costs and expenses included in each Monthly O&M Summary.

3) Acknowledgement of Events of Default and Forbearance of Remedies. The Parties agree that Events of Default exist under the Indenture and are continuing at this time and that the Trustee has all of the rights and remedies set forth in the Indenture, the Deed of Trust, and other Bond documents with respect to the Project and Project Revenues, including the right of foreclosure and the appointment of a receiver. The parties acknowledge and agree that the principal amount of the indebtedness evidenced by the Bonds as of the date hereof is \$43,285,000, and that interest is accruing in accordance with the terms of the Bonds and the Indenture, each without any defense or right of set off, but subject to limited recourse to the Project Revenues and other assets held in trust as set forth in the Indenture and the Deed of Trust. In consideration of this Agreement and subject to the terms and conditions thereof, during the Interim Restructuring Period the Trustee agrees not to accelerate the indebtedness evidenced by the Bonds or to seek the appointment of a receiver or to exercise its rights of foreclosure with respect to the Project based upon any Events of Default in existence on the date hereof or that result solely by reason of the application of Project Revenues during the Interim Restructuring Period in accordance herewith (together, the "Permitted Events of Default"). For the avoidance of doubt, nothing herein shall constitute a waiver of any right or remedy of the Trustee or any Bondholder or of any present or future Event of Default, or a modification of the duties and obligations of the Issuer under the Indenture.

4) Revised Management Agreement. Contemporaneously with the execution of this Agreement, the Operator and the Issuer have entered into a Revised Amended and Restated Management and Operating Agreement of even date herewith in the form of Exhibit A attached hereto (the "Revised Management Agreement"). The Issuer hereby acknowledges that all of the Issuer's rights to payment of Project Revenues under the Revised Management Agreement, except for the Issuer Fee and 25% of the Incentive Fee, have been assigned to the Trustee to secure the Bonds and the Issuer's obligations under the Indenture, and that it is enforceable by the Trustee as a third party beneficiary. The Operator agrees, without limitation, to comply with the provisions of the Revised Management Agreement during the Interim Restructuring Period, and acknowledges that the Revised Management Agreement may not be modified without the consent of the Trustee. The effectiveness and enforceability of the Revised Management Agreement, is specifically made subject to the issuance of a TIP Order (as defined in Section 8 below) upon terms acceptable to the Trustee, Issuer and Operator. For avoidance of doubt, the Parties hereto agree that until a TIP Order, acceptable to the Trustee, the Operator and Issuer is issued (as anticipated by Section 8 below) neither the Issuer, Operator or Trustee has any rights, responsibilities or obligations, of any nature pursuant to this Agreement or the Revised Management

EXECUTION VERSION

Agreement. Subject to the occurrence of the Effective Date, the Operator acknowledges that it has waived any claim for payment or reimbursement of any fees or expenses including, without limitation, any unpaid Operation and Maintenance Costs or Operator Fees, from Project Revenues or otherwise for any period prior to September 2016. Subject to the occurrence of the Effective Date, the Operator and the Issuer acknowledge that there will be no operation or management fees payable from Project Revenues or otherwise for the Interim Restructuring Period, except as set forth herein and in the Revised Management Agreement.

5) The Interim Restructuring Period. As indicated above, the Interim Restructuring Period commences on the Effective Date of this Agreement and terminates on the Termination Date. The effectiveness of this Agreement is subject to the satisfaction or waiver of each of the conditions set forth in Section 8 hereof, and if such conditions are satisfied or waived, then the Agreement's Effective Date shall be as of September 1, 2016 (the "Effective Date"), and the first Operations Month in the Interim Restructuring Period shall be deemed to be September 2016. The parties acknowledge that the Project Revenues attributable to September 2016 are not anticipated to be received by the Trustee until November of 2016. The parties further acknowledge and agree that nothing in this Agreement is intended to apply to Project Revenues attributable to the time period prior to September 1, 2016, even if such Project Revenues are received by the Trustee during the Interim Restructuring Period (for example, if the Project Revenues attributable to the month of August 2016 are received by the Trustee after September 1, 2016, such Project Revenues shall be applied by the Trustee pursuant to Section 5.06 of the Indenture without regard to this Agreement).

6) The Termination Date. The "Termination Date" shall be a date that is the earlier of (i) December 1, 2018, if the Trustee provides a written notice of termination to the Operator and Issuer at least 90 days prior to such date; (ii) the scheduled expiration of the term of the Revised Management Agreement, (iii) the effective date of any Supplemental Indenture covering the subject matter of this Agreement or any other agreement to restructure the Bond indebtedness, (iv) the suspension or cessation of operations at the Project by the Operator, or (v) the last day of the third calendar month following delivery of a notice by the Trustee to the Operator and the Issuer terminating Interim Restructuring Period on the basis of (a) an Event of Default other than a Permitted Event of Default by the Issuer under the Indenture or the Operator under the Revised Management Agreement, (b) a direction under the Indenture by the holders of at least 66 2/3% of the outstanding principal amount of the Bonds directing the Trustee to terminate this Agreement and the Interim Restructuring Period; or (c) any receipt by the Trustee or the Issuer of any notice of termination of the Revised Management Agreement by Issuer or Operator.

7) Existing Funds and Obligations Unaffected. All funds held by the Trustee as of the Effective Date of this Agreement, and all Project Revenues or other funds received by the Trustee and attributable to the period prior to the Interim Restructuring Period, shall be

EXECUTION VERSION

applied in accordance with the terms of the Indenture without regard to this Agreement. All funds in the Bond Fund and the Reserve Funds shall be applied in accordance with the Indenture. Nothing in this Agreement shall be construed to modify or amend any of the terms of the Indenture, the Deed of Trust, the Revised Management Agreement, or any of the other Bond Documents, all of which shall remain in full force and effect, subject to the rights of the parties hereunder. The parties hereby acknowledge that nothing herein is intended to or shall be construed as modifying or limiting the Issuer's legal obligation to pay all principal and interest as and when due on the Bonds from Project Revenues in accordance with the terms of the Indenture, provided, however, that the failure to pay Bond Interest or principal by reason of the priorities set forth herein shall be a Permitted Event of Default within the meaning of Section 3.

8) Court Approval Required-Condition Precedent. The Operator and the Issuer hereby acknowledge that the Trustee intends to seek a trust instruction order from Minnesota State Court authorizing it to enter into and implement this Agreement (the "TIP Order"). Accordingly, the parties hereby acknowledge and agree that the effectiveness and enforceability of this Agreement and the Revised Management Agreement is expressly conditioned upon the Trustee's ability to obtain a final TIP Order (not subject to appeal) issued by a Minnesota State Court authorizing and instructing the Trustee to enter into and perform upon this Agreement in form and substance acceptable to the Trustee and its legal counsel, all of which is a condition precedent to the enforceability of this Agreement. The Trustee agrees to seek such court approval, but reserves the right to evaluate its duties under the Indenture in light of any objections. The Trustee hereby acknowledges that the Issuer and Operator have agreed that the issuance of the TIP Order (as described above) upon terms that are acceptable to the Trustee, the Issuer and the Operator, is a condition precedent to the effectiveness and enforceability of the Revised Management Agreement.

9) Miscellaneous.

- (a) The captions or headings contained herein are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Agreement.
- (b) This Agreement is intended to provide benefits to the parties hereto, and shall not be deemed to give, grant or bestow any right, defense or benefit upon any third party, except that the holders of the Bonds shall have the rights of the Trustee to the extent contemplated by the Indenture.
- (c) No waiver of any breach of any of the terms or conditions of this Agreement shall be held to be a waiver of any other or subsequent breach, nor shall any waiver be valid or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

EXECUTION VERSION

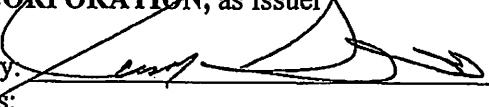
- (d) This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument. Facsimile signatures and signature pages provided in the form of a “.pdf” or similar imaged document transmitted by electronic mail shall be deemed original signatures for all purposes hereunder.
- (e) This Agreement may only be amended in writing, and such amendment shall only become effective upon the execution by all parties to this Agreement.
- (f) By his or her signature below, each signatory individual certifies that he or she is the properly authorized agent or officer of the applicable party hereto and has the requisite authority necessary to execute this Agreement on behalf of such party, and each party hereby certifies to the other that any resolutions necessary to create such authority have been duly passed and are now in full force and effect.

(Signature page to follow)

EXECUTION VERSION

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of _____, 2016

SAN LUIS FACILITY DEVELOPMENT CORPORATION, as Issuer

By: 
Its: _____

EMERALD CORRECTIONAL MANAGEMENT, LLC, as Operator

By: _____
Its: _____

**U.S. BANK NATIONAL ASSOCIATION,
not individually but solely in its capacity as Trustee**

By: _____
Its: _____

EXECUTION VERSION

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of _____, 2016

SAN LUIS FACILITY DEVELOPMENT CORPORATION, as Issuer

By: _____
Its: _____

EMERALD CORRECTIONAL MANAGEMENT, LLC, as Operator

By: Steve Johnson
Its: CEO

U.S. BANK NATIONAL ASSOCIATION, not individually but solely in its capacity as Trustee

By: _____
Its: _____

EXECUTION VERSION

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of 10-20-16, 2016

SAN LUIS FACILITY DEVELOPMENT CORPORATION, as Issuer

By: _____
Its: _____

EMERALD CORRECTIONAL MANAGEMENT, LLC, as Operator

By: _____
Its: _____

U.S. BANK NATIONAL ASSOCIATION, not individually but solely in its capacity as Trustee

By: Keith R. Marshall
Its: VICE PRESIDENT

**San Luis Regional Detention & Support Center
Operation and Management Agreement**

Start December 5, 2016

(Date of Court Order)

90 Days of Notice to Terminate

Expiration April 1, 2022

Automatic Renewal for 5 years

and

April 1, 2027

Automatic Renewal for 5 years

EXECUTION VERSION

REVISED

**AMENDED AND RESTATED
FACILITY OPERATION AND MANAGEMENT AGREEMENT**

INTRODUCTION

WHEREAS, this REVISED Amended and Restated Facility Operation and Management Agreement (hereinafter, the “**Agreement**”) is entered into by and between SAN LUIS FACILITY DEVELOPMENT CORPORATION, an Arizona nonprofit corporation (hereinafter “**MPC**”) and EMERALD CORRECTIONAL MANAGEMENT, L.L.C., a limited liability company organized under the laws of the state of Louisiana (hereinafter called “**Operator**”) to become effective on the Effective Date as that term is defined herein.

WHEREAS, MPC is the owner or equitable owner of the 869-bed San Luis Detention Facility, located within the City of San Luis, Arizona (hereinafter “**Facility**”); and

WHEREAS, MPC has issued its Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014 issued as of April 1, 2014 in the original aggregate principal amount of \$26,090,000 and the Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014-A issued as of July 1, 2014 in the original aggregate principal amount of \$20,835,000 (collectively, the “**Bonds**”) to finance and refund certain prior bonds issued for the funding of the Facility, to pay the costs of issuance, and to provide other funds for the benefit of the Facility and the owners of the Bonds; and

WHEREAS, MPC engaged the Operator to operate, manage and maintain the Facility under the terms of that certain Facility Operation and Management Agreement, dated as of August 7, 2009 (the “**Initial Agreement**”); and

WHEREAS, the Initial Agreement was amended and restated on or about March 11, 2011 by agreement of the Operator and MPC upon the execution of the Amended and Restated Operations and Management Agreement (the “**Restated Agreement**”); and

WHEREAS, the Restated Agreement is to expire on its own terms on April 3, 2017 if Operator or MPC (on or before January 3, 2017) notifies the other party and the Trustee that they have elected not to renew the Restated Agreement for an additional five (5) year term; and

WHEREAS, the Operator has advised MPC that the Operator has incurred substantial losses in the operation of the Facility in 2015 and 2016, and that unless changes and modifications are made to the Restated Agreement and to the Bond Documents that will reduce the risk of future losses to the Operator, the Operator will elect not to renew the Restated Agreement; and

WHEREAS, the parties hereto, subject to the terms and provisions hereof, desire to enter into this Agreement for the continued operation and management of the Facility; and

WHEREAS, the entering into this Agreement is found to be in the best interests of MPC and the Operator, the efficient and safe operation of the Facility, and the public as it will serve the public purpose of providing space for incarceration of law violators and will provide economic development and economic benefits to the local economy; and

WHEREAS, MPC has entered into a Trust Indenture (as amended from time to time, the “**Indenture**”), originally dated as of October 1, 2005, with U.S. Bank National Association, as trustee (solely in such capacity, “**Trustee**”), in order (among other things) to issue the Bonds to finance the Facility. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture or in the Interim Forbearance Agreement (as defined below), as the case may be; and

WHEREAS, contemporaneously herewith, the Trustee, the Operator and MPC have entered into an Interim Agreement Regarding Forbearance, Operation of Project and Project Revenues of even date herewith (the “**Interim Forbearance Agreement**”) that is subject to various conditions.

NOW, THEREFORE, in consideration of the mutual rights, benefits and obligations herein exchanged, the parties do covenant, agree and bind themselves as follows:

I. PURPOSES

- 1.01 Operator agrees to operate, manage and supervise the Facility for MPC, pursuant to the terms of this Agreement, and to receive, detain and care for all properly classified prisoners for which the Facility is approved that may be assigned to the Facility from:
- (a) The Chief of Police of the City of San Luis (the “**City**”), such person who is in charge of the management of the Police Department, or such other person or persons as may be designated by the City Manager of the City (collectively the “**Police Chief**”);
 - (b) The United States Government or any agency thereof, pursuant to an agreement between MPC and the United States or any agency thereof, subject to any limitations of the Indenture;
 - (c) The Arizona Department of Corrections, pursuant to an agreement between ADOC and MPC;
 - (d) The Bureau of Indian Affairs; or
 - (e) Any other state, local, county, or federal jurisdiction.

All of whom may be referred to hereinafter as “**Users**” or “**User Agencies**”.

- 1.02 Operator agrees that operation and management of the Facility must be in accordance with the applicable standards of the American Correctional Association and the requirements set forth in agreements with entities contracting with MPC or Operator to house prisoners at the Facility (“**Sending Jurisdictions**”).

- 1.03 Operator is an independent operator engaged for the public purpose of operating a detention center on behalf of MPC. No property interest or right in the Facility or grounds is granted to the Operator by this Agreement.
- 1.04 The Operator shall operate the Facility in compliance with this Agreement and in a manner that fulfills the duties of MPC under the Indenture and this Agreement, as amended or restated from time to time. The Operator shall provide or cause to be provided all insurance, maintenance, certifications and other matters required under this Agreement or required of, or made the obligation of, MPC under the Indenture. This includes, without limitation, preparation of all reports or disclosures required thereunder.
- 1.05 Each of the statements contained in the Introduction section of this Agreement are contractual provisions and stipulations that are binding upon the parties, and are not mere recitals.

II. TERM

- 2.01 Without limitation of the conditions precedent hereto, MPC hereby retains Operator exclusively and Operator hereby accepts this engagement for the operation, management, and maintenance of the Facility pursuant to the terms hereof. The term of this Agreement shall begin on the date on which all of the conditions precedent under Sections 2.03 and 2.04 have been satisfied or are waived (the “**Effective Date**”) and shall continue in full force and effect until 1:00 PM Arizona time on April 1, 2022, unless earlier terminated as provided in this Agreement, including Section 14.02 and Article XX hereof. Without limitation of the foregoing, the parties hereby agree that the term of this Agreement shall terminate contemporaneously with the termination of the Interim Forbearance Agreement, unless the parties otherwise agree in writing.
- 2.02 This Agreement, if otherwise in effect on April 1, 2022 and 2027 respectively, shall automatically renew for not more than two (2) independent and successive, five (5) year terms (hereinafter, the “**Renewal Terms**”), unless either Party notifies, pursuant to the terms of Section XVI of this Agreement, the other Party of its election to cancel the forthcoming Renewal Term, not less than ninety (90) days prior to the then existing term’s natural expiration.
- 2.03 The Operator and MPC hereby acknowledge that the Trustee intends to seek a trust instruction order from Minnesota State Court authorizing the Trustee to enter into and implement the Interim Forbearance Agreement (the “**TIP Order**”) and this Agreement. Accordingly, the parties hereby acknowledge and agree that the effectiveness and enforceability of this Agreement is expressly conditioned upon the Trustee’s ability to obtain a final TIP Order (not subject to appeal) issued by Minnesota State Court authorizing and instructing the Trustee to enter into and perform upon the Interim Forbearance Agreement in form and substance acceptable to the Trustee and its legal counsel, and acceptable to Operator and MPC and their legal counsel, all of which is a condition precedent to the effectiveness and enforceability of this Agreement.

2.04 This Agreement is further conditioned upon the occurrence of the following:

- (a) MPC has executed this Agreement pursuant to the authority of a duly passed and adopted resolution of MPC, authorizing the execution of this Agreement on behalf of MPC; and
- (b) The Operator has executed this Agreement pursuant to the authority of a duly passed and adopted resolution of the Operator, authorizing the execution of this Agreement by a manager or co-manager of Operator
- (c) The Trustee has obtained a final TIP Order as described in Section 2.03 above; and
- (d) The Effective Date of the Interim Forbearance Agreement has occurred.

III. OPERATOR'S COMPENSATION

3.01 Management Fees.

- (a) During the term of this Agreement and solely from Project Revenues, MPC agrees to pay Operator compensation as set forth herein for the goods and services provided hereunder to the extent that Project Revenues are made available for that purpose under the Indenture and under the Interim Forbearance Agreement in the form of the Operator's share of the Management Fee. As used in this Agreement, the term "**Management Fee**" shall mean collectively the Revised O&M (as defined in the Interim Forbearance Agreement) and the Incentive Fee. For the avoidance of doubt, Project Revenues generated from the Operator's operation of the Facility during any of the Operations Months (as defined in the Interim Forbearance Agreement), even if such Project Revenues are not actually received by the Trustee until after the termination of the Interim Forbearance Agreement and this Agreement, will be applied in accordance with the priorities set forth in the Interim Forbearance Agreement and this Agreement. MPC is only obligated to pay the Operator's share of the Management Fees to Operator to the extent that funds are available in the Operating Account (maintained by the Trustee pursuant to the Indenture and the Interim Forbearance Agreement) for such purposes. No funds of MPC that are generated by other projects, and no funds of the City, that are held in the general fund of the City, and no tax revenue of the City, shall be obligated to pay the Operator's share of the Management Fee. MPC shall instruct the Trustee to pay the Operator's share of the Management Fees to Operator when funds are available to the Trustee to pay such Management Fees.
- (b) The Operator's compensation under this Article III shall be payable solely from Project Revenues available therefor in the Operating Account established under the Indenture (and, during the Interim Restructuring Period, the Interim Forbearance Agreement). The MPC hereby irrevocably instructs the Trustee to pay the Operator the Operator's share of the Management Fees, within three (3)

business days after the date upon which there is sufficient money accumulated in the Operating Account to pay such amounts, subject to the terms and conditions in the Interim Forbearance Agreement, including the ascertainment of the amount owed in accordance therewith. If the Operator is not paid its full share of the Management Fee as set forth in this Section for any calendar month, the deficiency in such payment shall be carried over to the following months and added to the Operator's compensation due in following months during the term of this Agreement, subject to the terms and conditions set forth herein and in the Interim Forbearance Agreement.

- (c) During the Interim Restructuring Period, the Operator's share of the Management Fees shall refer to the Project Revenues that the Operator is entitled to receive from the Operating Account subject to the terms and conditions of the Interim Forbearance Agreement and this Agreement. The Operator acknowledges that Project Revenues during the Interim Restructuring Period may not be adequate to reimburse the Operator for all Operation and Maintenance Costs advanced by the Operator.
- (d) Pursuant to the terms of the Interim Forbearance Agreement, and subject to the occurrence of the Effective Date of this Agreement, the first Management Fee payable to the Operator hereunder shall be for the goods and services provided by the Operator during the month of September 2016, and the Operator hereby waives any unpaid Management Fees or any other unpaid management or operating fees and expenses incurred by the Operator in connection with its operation of the Facility for any prior periods. For the avoidance of doubt, the first Management Fee payable to the Operator under the terms of this Agreement shall be from Project Revenues attributable to the operation of the Facility for the month of September 2016.
- (e) No Management Fees due and owing to Operator pursuant to this Agreement shall remain due and owing after 120 calendar days has have elapsed following the termination of this Agreement by its own terms or otherwise. Operator shall only be paid its share of the Management Fees due hereunder from Project Revenues generated by the services provided by Operator in the operation, management and maintenance of the Facility. Project Revenues generated by any other operator of the Facility shall not be utilized to pay the Management Fees of Operator due and owing hereunder.
- (f) Intentionally blank.
- (g) More specifically, and subject to the priorities set forth in Interim Forbearance Agreement, during the Interim Restructuring Period, the Management Fees shall be calculated and paid upon a monthly basis, in each of the following amounts:
 - (i) From Project Revenues available to the Trustee in the Operating Account for such purposes, MPC shall direct the Trustee to pay to Operator all of the unreimbursed Operator Direct Expenses (as defined below) incurred

by the Operator, including any unreimbursed Operator Direct Expenses from prior months during the Interim Restructuring Period, to the extent required by Subsection 5.06(c) of the Indenture, for the month to which such Project Revenues relate ("**Operations Month**"); and

- (ii) From any remaining Project Revenues available to the Trustee in the Operating Account, or the General Account, MPC shall direct the Trustee to pay to MPC on behalf of the City the sum of \$17,000.00 (the "**Detention Facility Business License Fee**") for each month during the Interim Restructuring Period; and
- (iii) From any remaining Project Revenues available to the Trustee in the Operating Account, MPC shall direct the Trustee to pay to Operator a sum equal to Six Percent (6%) of all of the Operator Direct Expenses incurred by Operator during such month;

But in each case, nothing in this Section 3.01 shall be construed in a manner inconsistent with the Interim Forbearance Agreement and no Incentive Fee (as defined below) shall be payable with respect to any period after the Interim Forbearance Agreement is terminated. In the event of any inconsistency between this Agreement and the Interim Forbearance Agreement, the latter shall control.

- (h) During the Interim Restructuring Period, to the extent any Project Revenues are transferred to the Surplus Account pursuant to the terms of the Interim Forbearance Agreement, the Operator shall be entitled to an additional fee (the "**Incentive Fee**") equal to 80% of Project Revenues deposited into the Surplus Fund, provided, however, that the Operator agrees that 25% of any Incentive Fee payable to the Operator pursuant to this section shall be paid by the Trustee directly to MPC on behalf of the City.
- (i) As used herein, the term "**Operator Direct Expenses**" means any and all reasonable costs, fees, outlays, expenditures, disbursement and expenses actually incurred by Operator, arising directly from the performance or fulfillment of Operator's obligations or duties under this Agreement, including but not limited to: all salaries, benefits and other costs of employees (but only for such employees who are directly assigned to the operation of the Facility), as well as all the out of pocket costs of utilities, procurement, training, maintenance, repairs, replacements, equipment rental costs, food and beverage, detainee health care, detainee clothing and toiletries, detainee transport and other transportation, detainee educational and recreational programs, insurance premiums attributable to the Facility, taxes incurred in complying with the terms of this Agreement (such as sales taxes imposed for goods purchased specifically for use at the Facility), the costs, fees and expenses incurred for audits or inspections of the Facility or its operations demanded or required by this Agreement, City, MPC, Trustee, Bondholders, or third parties (such as Sending Jurisdictions), to the extent incurred and paid in the relevant Operations Month. This is not an exhaustive, exclusive or limiting list of all the Operator Direct Expenses, but is

descriptive of some of such costs, and is provided for illustrative purposes only. However, the term Operator Direct Expenses does not include any fee to the Operator, profit of the Operator, or any general administrative overhead charge or cost of the Operator, or any other compensation due and owing to Operator pursuant to this Agreement. Also, the term "Operator Direct Expenses" does not include any fee or payment to the City or MPC, nor does it include any expense not actually paid by Operator in the relevant Operations Month, including depreciation or amortization expense, or any interest on any debt or other obligation or debt service payment on the Bonds or payments by the MPC to replenish advances from the Reserve Fund, or any amounts paid by the Operator to MPC.

- (j) Following the collection by the Trustee of the Project Revenues attributable to each Operations Month in the Interim Restructuring Period, the Trustee and the Operator will in accordance with the Interim Forbearance Agreement determine the extent to which, if any, the amount under clauses 3.01(g)(i) and 3.01(g)(iii) for such Operations Month were not covered and reimbursed by the Trustee's deposits of Project Revenues (or other funds) to the Operating Account and paid to Operator with respect to such Operating Month, and such amount shall be referred to as the "**Operating Shortfall**" for such Operations Month.

3.02 Source of Funds. Notwithstanding anything herein to the contrary, all amounts due and payable by MPC to Operator shall be a current obligation payable solely from the amounts held or transferred to the Operating Account established under the Indenture and the Interim Forbearance Agreement. At no time shall the Trustee, the City or MPC be liable for payment of these sums save and except from the source of funds identified hereinabove.

3.03 Detention Facility Business License Fee. The Operator hereby agrees that if the Detention Facility Business License Fee is not paid directly to MPC on behalf of the City pursuant to Section 3.01(g)(ii) above and is paid to the Operator, the Operator shall promptly turn over such payment to MPC on behalf of the City and such payment shall constitute the Detention Facility Business License Fee payable to MPC. City and MPC hereby release any claim for unpaid or suspended Detention Facility Business License Fee for any period prior to the Effective Date.

3.04 Documentation for Distributions by Trustee. The Operator shall, each month during the term of this Agreement, promptly forward to the Trustee, such documentation as may be reasonably required to facilitate the payment of the Management Fees (including the Detention Facility Business License Fee) and the Incentive Fee, pursuant to this Agreement and the Interim Forbearance Agreement including, without limitation, the certifications required pursuant to Section 2 of the Interim Forbearance Agreement. Such documentation shall include, but is not limited to, the monthly invoice prepared by Operator and forwarded to each User Agency assigning Inmates to the Facility, the monthly calculation of the amount due and owing to Operator, and such other matters as may be reasonably and prudently required by Trustee to document the payment of Management Fees hereunder. Operator shall prepare and submit to the City a monthly

statement setting forth the calculation of any and all amounts due and owing by Operator to the City as the Detention Facility Business License Fee, pursuant to Section 3.03 above, and such other amounts as may be due and owing between the City and Operator pursuant to the terms of this Agreement.

3.05 Intentionally Blank.

3.06 Intentionally Blank.

3.07 Project Revenue. The term “**Project Revenue**” Shall have the meaning set forth in the Indenture.

3.08 MPC acknowledges that the Operator shall be entitled to seek reimbursement from the User Agencies or Sending Jurisdictions for extraordinary costs associated with the housing agreements with such User Agencies or Sending Jurisdictions. Said extraordinary expenses may include, but are not limited to, outside hospital coverage, transportation, extraordinary medical expenses, pharmaceuticals, and facility enhancements. Said reimbursement for such costs shall not be from Project Revenues and shall not be the burden of MPC but only that of the User Agencies or Sending Jurisdictions, and shall be separate from the Operator’s compensation payable under this Agreement.

3.09 In the event of a shortage of space in the City’s jail, the City, at the request of the respective Police Chief, may house at the Facility, up to five (5) prisoners at no cost to the City, for a time period of not more than seventy-two (72) hours. Should the need to exceed five (5) prisoners arise for more than seventy-two (72) hours at any given time, both parties agree to negotiate, in good faith, a rate per prisoner per day acceptable to both parties applicable to each such occurrence. Said rate shall only be applicable to those instances where more than five (5) prisoners are housed at Facility for more than seventy-two (72) hours for any given inmate is required; The City may not contract with other jurisdictions for the beds identified in this section.

3.10 For the purposes of this Agreement, a “day” shall mean a twenty-four (24) hour time period beginning with twelve (12) o’clock midnight and ending twenty-four (24) hours later and a “month” shall mean a calendar month. The Operator shall provide to MPC a daily midnight census count of all inmates confined at the Facility during the calendar month. This census will be provided not later than ten (10) calendar days after the end of the month and will be the basis for all compensation actions.

IV. DUTIES OF OPERATOR

4.01 Operator shall manage, operate and provide at its sole cost and expense:

- (a) Replacement of all necessary furniture, fixtures and equipment required at the Facility, including, but not limited to, computers, fax and copy equipment, radios, televisions, uniforms and linens and basic office furniture and administrative phone systems, which are necessary or prudent for operation and management of the Facility and the housing of prisoners.

- (b) Intake facilities and prisoner accounting which shall encompass booking, record keeping, billing, system of controls, identification systems and records, computerized communication interface with law enforcement agencies, and such statistical records as may be required by law, Sending Jurisdictions, or as generally accepted prisoner-locator practices;
- (c) Attendants to control ingress and egress at the Facility, in addition to attendants necessary for the requisite level of security internally within the Facility and those required to monitor the activities of prisoners confined within the Facility. The Operator shall provide to MPC a complete staffing plan. This plan will include a suitable relief factor which takes into account training, vacation and other matters required to staff a correctional facility of this size and mission. The Operator will make every effort to maintain staffing at a level equal to ninety percent (90%) of the staffing plan;
- (d) Food and beverage services;
- (e) Clothing and uniforms;
- (f) Engineering and maintenance;
- (g) Procurement and purchasing;
- (h) Recreational, vocational, counseling, education and exercise programs, and other program requirements required by law or prisoner housing contracts;
- (i) Bookkeeping and financial accounting;
- (j) Basic medical care, over-the-counter medications, and miscellaneous medical supplies as required by Sending Jurisdictions;
- (k) Training of jailers to be employed at the Facility;
- (l) Repair, upkeep and maintenance for the Facility. This will include (without limitation) establishment of a periodic maintenance program with applicable equipment maintenance records;
- (m) Necessary utilities and refuse services; and
- (n) All other services necessary or proper for the efficient and safe operation of the Facility, and secure custody, care and housing of inmates, in compliance with all applicable federal, state and local laws and regulations and in compliance with all signed housing agreements.

In regard to 4.01(l) above, the MPC agrees to assign to Operator, when necessary and appropriate, any warranties or guarantees it might have or be entitled to with regard to the Facility, Furniture, Fixtures, and Equipment (FF&E) in order to effect repairs on the Facility, and FF&E, or to give Operator the right to pursue the manufacturer, builder, or

other supplier who gave such warranties or guaranties, to seek reimbursement for monies expended by Operator to meet its repair, upkeep and maintenance obligations under this Agreement to the extent that those expenditures relate specifically to work covered by the subject warranty or guaranty. With respect to any warranties, MPC agrees to cooperate and use its best efforts to assist Operator to recover under such warranties. Extraordinary repairs shall generally be paid or reimbursed out of the Operating Reserve Repair Contingency Fund established under the Indenture where funds are available in that account therefor, unless such is due to the negligence or intentional acts of Operator's employees, or by inmates or is covered by insurance or warranty. Operator's responsibility for extraordinary repairs, where funds are not available in a sufficient amount in the Operating Reserve Repair Contingency Fund to pay for the same, is limited to the proceeds of applicable insurance, unless the need for such repairs was created by the negligence or intentional act of its employees, or by inmates.

- 4.02** Operator shall prepare and furnish such reports as may be required by law to be submitted to the City and the Police Chief with respect to the operation of the Facility or the prisoners detained therein and, in addition, such other reports as may be required by an Arizona state agency or any agency of the United States Government, or by any state or political subdivision thereof from which prisoners have been assigned to the Facility.
- 4.03** Operator shall obtain, and thereafter maintain, the proper certification(s) necessary for the Facility to incarcerate federal, state and local prisoners, and shall maintain such certification(s) at all times. After such certifications have been obtained, if required by the laws of the State of Arizona, the Operator shall provide copies to MPC.
- 4.04** Operator will properly incarcerate all prisoners assigned to the Facility for whom there is space available at the Facility within the statutory and regulatory limits of the Sending Jurisdiction and in accordance with all federal, state, and local laws, ordinances, regulations, and other legal requirements.
- 4.05** Notwithstanding anything contained herein to the contrary, MPC and/or the Trustee shall have no liability whatsoever for any employees of Operator. Operator hereby agrees to indemnify, defend and hold MPC and the Trustee harmless from all costs, claims, expenses, and liabilities (including attorneys' fees) whatsoever which may be incurred by MPC or the Trustee arising from any and all acts done or omitted to be done by Operator, or the employees, agents and assigns of Operator, in connection with services performed or to be performed under this Agreement.
- 4.06** The interviewing, hiring, training, assignment, control, management, compensation, promotion and termination of all members of the Facility's administration and staff shall be the responsibility and obligation of Operator. Operator will use its best efforts to hire and train local personnel and will report on the status of local hiring on a quarterly basis.
- 4.07** Operator shall use its best efforts to purchase goods and services locally when economically feasible. Prior to the initial purchase of any goods (including, without

limitation, FF&E), Operator will conduct a local vendor fair. The intent of this fair is to provide local vendors with a listing of facility purchase needs. Special emphasis shall be given to food, office supplies and maintenance products.

- 4.08 Operator shall make available to its employees' health care benefits that are comparable to those provided by the City to its employees.
- 4.09 Operator shall provide all balance sheets, income statements, inmate rolls, accounting records or reports, audits and other such matters required of MPC and/or the Trustee under the Indenture and this signed Agreement for the Facility, and all Facility operation information necessary to carry out MPC and/or the Trustee's continuing disclosure obligations under the Trust Indenture and this Agreement.
- 4.10 The Operator will provide to the Trustee, the Underwriters, and each holder of at least \$1,000,000 in principal amount of Bonds Outstanding who has given notice to the MPC and the Trustee of its interest in receiving the same, within 60 days after the end of each fiscal quarter of each Fiscal Year of MPC, an unaudited statement of income and expenditures with respect to the operation of the Facility for such fiscal quarter, and average prisoner census information for each calendar month in each such fiscal quarter.
- 4.11 After the Effective Date, and so long as the Interim Forbearance Agreement is in effect, the Operator shall continue to provide the US Marshal, Immigrations & Customs Enforcement, and the Bureau of Indian Affairs transportation and programming services in the same manner that such services were being provided to such agencies before the Effective Date. MPC specifically agrees that the costs incurred by the Operator in providing transportation and programming services to the Sending Jurisdictions (that are not otherwise reimbursed to the Operator by those Sending Jurisdictions) constitute Operator Direct Expenses.

V. MEDICAL CARE

- 5.01 The Operator shall provide access to medical, optical, and emergency health care in accordance with those standards of Sending Jurisdictions. Operator shall provide on-site nurses and medical technicians to handle sick call and medical assessment and care that does not require a physician or specialist. The Operator shall also contract with a medical doctor to serve as medical consultant for the Facility.
- 5.02 It is the understanding of MPC that all healthcare needs in excess of basic triage are to be performed off-site of the Facility. In addition, it is the understanding of MPC that all costs associated with care in excess of basic triage will be borne by the agency having jurisdiction over the inmates or detainees. MPC shall have no obligation for such costs and such costs shall not be payable from Project Revenues.

VI. COMPLIANCE WITH STANDARDS

- 6.01 Operator shall prepare and adopt a Procedures Manual for the operation of the Facility so as to assure that the Facility is operated fully in accordance with applicable correctional practices and in accordance with the requirements of the contracting jurisdictions.
- 6.02 Operator shall assure that all employees at the Facility are adequately trained to perform at standards required by law.
- 6.03 Operator shall comply with all standards and requirements of the prisoner housing contracts entered into with each Sending Jurisdiction by MPC and provide all services to be provided by MPC under such contracts and pursuant to the terms of such contracts.
- 6.04 The Operator shall conform to all regulations and requirements, as well as seek any necessary accreditations set forth in specific housing agreements for the Facility.
- 6.05 The Operator shall satisfy the requirements of the American Correctional Association.

VII. DUTIES OF THE CITY

- 7.01 The City and the Police Chief will cooperate with Operator in all matters of law enforcement, security and communications. To that end, Operator will immediately inform the City as to the possibility of any escape or missing inmate. In addition, the City will be informed as to any unusual/extraordinary event/occurrence within the Facility, which might create a public concern or be of potential embarrassment to the City.
- 7.02 The City and the Police Chief may assist Operator in the training, at Operator's expense, of Operator employees to operate the Facility.
- 7.03 The City and the Police Chief shall assist and cooperate with Operator in providing information needed by Operator in the screening of candidates for employment, but the decision to employ shall be the Operator's solely.
- 7.04 All jailers must be certified by appropriate State of Arizona Standards or the Sending Jurisdiction's requirements prior to undertaking permanent jailer duties.

VIII. DUTIES OF MPC

- 8.01 MPC and the Operator agree it shall be to their mutual benefit and interest that the Facility be fully utilized by maintaining the maximum prisoner population within statutory or regulatory limits. To this end, and throughout the term of this Agreement, MPC and the Operator agree to cooperate in efforts to obtain maximum prisoner population from the sources set forth in Section 1.01 of this Agreement (e.g., MPC will enter into reasonable and advisable prisoner housing contracts or related agreements; Operator will actively seek to identify potential prisoner sources, etc.). It shall be the

responsibility of Operator to assist MPC in seeking out sources of prisoners for incarceration at the Facility, and to assist in negotiation and presentation for acceptance by MPC contracts for the incarceration of prisoners from sources listed in Section 1.01 of this Agreement.

IX. LIABILITY AND INDEMNITY

- 9.01** Operator hereby agrees to defend, hold harmless and indemnify MPC and the Trustee, their officers, directors, employees, agents, and representatives, from and against any and all claims, damages, demands, losses, costs and expenses, including attorney's fees, incurred or suffered by MPC or the Trustee, their officers, directors, employees, agents, or representatives, arising out of or resulting from any acts done or omitted to be done by Operator or the employees, agents or assigns of Operator pursuant to the provisions of this Agreement.

X. INSURANCE

- 10.01** Operator shall obtain and maintain in force, at its sole cost, risk and expense during the term of this Agreement, a policy or policies of liability insurance in an amount of no less than Five Million Dollars (\$5,000,000.00) in coverage per occurrence, and Five Million Dollars (\$5,000,000) aggregate. Such insurance shall insure against all claims, including claims based on violations of civil rights up to a maximum of One Million Dollars (\$1,000,000.00), arising from services performed by Operator pursuant to this Agreement.
- 10.02** Said policy or policies of insurance shall name the MPC and the Trustee as "additional named insureds".
- 10.03** Operator shall provide and continue in force property insurance coverage in the name of MPC, and the Trustee as loss payees in amounts equal to the cost of replacement of all of the Facility, and shall maintain and continue fire, boiler and machinery coverage on the Facility. Operator agrees that its negotiated per diem, per prisoner fee with each Sending Jurisdiction has taken this operational expense into account.
- 10.04** Operator shall provide to MPC insurance certificates as proof of the insurance policies obtained in accordance with this Article X. All policies shall provide that coverage shall not be cancelled without thirty (30) days prior written notice to the certificate holder and all additional named insureds and loss payees. Operator shall obtain, as soon as possible (and before cancellation) and at its sole cost, replacement insurance policies.
- 10.05** Operator shall provide workers compensation insurance for its employees at the Facility, which provides the statutorily required coverage, except that employer's liability coverage shall not be in an amount of less than \$1,000,000.
- 10.06** Operator shall carry auto liability insurance coverage in the amount of at least \$1,000,000 per single limit for bodily injury and property damage, with umbrella

coverage in an amount not less than \$3,000,000, covering any vehicles used in its operations.

- 10.07 Notwithstanding anything to the contrary in the foregoing sections, Operator shall provide all insurance required of MPC under the Indenture or this Agreement in the form and naming the insureds and loss payees as required in the Indenture. Operator agrees that the negotiated per diem, per prisoner fee with each Sending Jurisdiction has taken this operational expense into account. This includes business interruption insurance in accordance with Section 6.16 of the Indenture. Section 6.16 of the Indenture provides as follows:

Property Insurance. As Operation and Maintenance Costs, from and after the Completion Date, MPC shall procure and maintain continuously in effect with respect to the Project, to the extent of the amount of Bonds Outstanding, all-risk insurance, including coverage for riots, subject only to the standard exclusions contained against the loss of Project Revenues sufficient to pay the average Operation and Maintenance Costs and annual debt service payments due hereunder for a period of one year. The proceeds of such business interruption insurance shall be paid to the Project Fund and applied as provided herein if and to the extent that other moneys (other than moneys held in the Reserve Fund) are not available to pay Operation and Maintenance Costs and make the annual debt service payment. All policies (or endorsements or riders) evidencing insurance required by this Section 6.16 shall be carried in the names of MPC and Trustee as their respective interests may appear and shall name Trustee as mortgagee and loss payee. The Net Proceeds of insurance required by this Section 6.16 shall be applied as in Section 6.24 hereof.

XI. APPROVAL AND MONITORING BY CITY POLICE CHIEF

- 11.01 The Police Chief shall periodically monitor the operation of the Facility, and, to this end, the Police Chief or his designated representative shall conduct a thorough on-site inspection of the Facility no less than once each month throughout the term of this Agreement. Such monitoring shall not create any liability to the City or the Police Chief, and shall not be a basis for release or defense to Liability of the Operator.

XII. MAINTENANCE, UPKEEP AND REPAIR

- 12.01 All ordinary maintenance, upkeep and repair costs for the Facility shall be paid by Operator pursuant to subsection 4.01 of this Agreement except as otherwise provided therein. Operator agrees that the negotiated per diem, per prisoner fee with each Sending Jurisdiction has taken this operational expense into account.

XIII. TAXES AND GOVERNMENTAL CHARGES

- 13.01 Operator shall be responsible for any taxes or governmental charges of any kind assessed or incurred after the effective date of this Agreement which are levied or imposed on the Facility and related property. To the extent that such taxes are

chargeable against the Facility and found by a final non-appealable judgment of a court of competent jurisdiction to be due and owing, they shall be paid out of the Operating Account or any reserve accounts available for payment thereof as amounts due or payable under the Indenture or this Agreement. Such amounts are not a responsibility or debt of MPC. This Facility is intended to be, and under current law, should be exempt from property taxation. MPC is the owner of taxable title to the Facility based on current interpretations and decisions.

XIV. ADDITIONAL PROVISIONS

- 14.01** Notwithstanding anything to the contrary contained herein, in the event any bankruptcy, reorganization debt arrangement, moratorium, proceeding under any bankruptcy or insolvency law or dissolution or liquidation proceeding is instituted by Operator, or if instituted against Operator, is consented to or acquiesced in by Operator and is not canceled, MPC shall immediately assume responsibility for the operation, management and supervision of the Facility.
- 14.02** If either party is found in material breach of this Agreement, said party shall have ninety (90) days, from notification of said breach, to correct or rectify said matter, unless a shorter cure period is provided elsewhere in this Agreement, and then such shorter time period shall prevail. In the event breaching party makes a good faith effort to correct or rectify said matter, however, more time is required due to unforeseen or uncontrollable circumstances, both parties shall negotiate in good faith as to an appropriate time frame to correct or rectify said matter. If material breach is not corrected or rectified in accordance with above, said contract shall terminate in thirty (30) days, provided however, the Operator may not terminate this Agreement without the prior written consent of the Trustee unless the conditions set forth in Section 20.01 below have occurred or the Trustee has failed after ten business days' notice to: (i) deposit funds into Operating Account in accordance with the Interim Forbearance Agreement, or (ii) pay to Operator's share of the Management Fees or Incentive Fees due and owing to Operator in accordance with the Interim Forbearance Agreement and this Agreement.
- 14.03** If a dispute arises out of or relates to this Agreement, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute through mediation before resorting to arbitration, litigation or some other dispute resolution procedure. In the event that the parties cannot agree upon the selection of a mediator within seven (7) days, either party may request the presiding judge of the Superior Court of Yuma County to assign a mediator from a list of mediators maintained by the Arizona Municipal Risk Retention Pool, an Arizona nonprofit corporation. Mediation, arbitration or other form of dispute resolution proceeding must be commenced within the time for bringing claims against the City as permitted by A.R.S. § 12-821 and Operator shall file a notice of claim against the City within 180 days after the claim accrues. The failure to commence such mediation, arbitration or other form of dispute resolution proceeding shall not bar the accrual of any such claim. However, if mediation, arbitration or other form of dispute resolution proceeding is commenced prior to the expiration of the 180 day period provided for in

A.R.S. § 821.01, then such 180 day period shall abate during the pendency of such mediation, arbitration or other form of dispute resolution proceeding.

- 14.04 Commissary services procurement shall be made utilizing sound and acceptable business and accounting practices. Commissary proceeds will be controlled by the Operator, and to be used only for inmate welfare purposes or costs associated with the operation of the Commissary at the Facility.
- 14.05 This City is a third party beneficiary of the Operator's obligations under Section 3.03 of this Agreement.

XV. APPLICABLE LAW AND VENUE; LEGAL CONSTRUCTION; MISCELLANEOUS

- 15.01 Applicable Law and Venue. This Agreement shall be construed under and in accordance with the laws of the State of Arizona, and all obligations of the parties created hereunder are performable in San Luis, Arizona. Any legal action relating to this Agreement shall be brought in either the Yuma County Superior Court or in the United States District Court for the District of Arizona at the election of the plaintiff in such legal action, provided, however, that nothing in this Section 15.01 will be deemed to have authorized the bringing of any legal action in a court which does not otherwise have jurisdiction to adjudicate the legal action. This Agreement is subject to termination pursuant to A.R.S. § 38-511.
- 15.02 Severability. Every provision of this Agreement is, and will be construed to be, a separate and independent covenant. If any provision of this Agreement or the application of the same is, to any extent, found to be invalid or unenforceable, then the remainder of this Agreement or the application of that provision to circumstances other than those to which it is invalid or unenforceable, will not be affected by that invalidity or unenforceability, and each provision of this Agreement will be valid and will be enforced to the extent permitted by the law, and the parties will negotiate in good faith for such amendments of this Agreement which may be necessary to achieve its intent, notwithstanding such invalidity or unenforceability.
- 15.03 Assignment. Except as specifically permitted herein, this Agreement is not assignable unless both parties mutually consent otherwise in writing. The requirements of this Agreement are binding upon the heirs, executors, administrators, successors and assigns of all parties. Notwithstanding the foregoing the Operator acknowledges that the Project Revenues generated by this Agreement have been pledged to the Trustee to secure the payment of the Bonds and certain rights and remedies of the MPC may be enforced by the Trustee to the extent contemplated by the Indenture. Notwithstanding the foregoing, Operator may assign this Agreement to a wholly owned subsidiary of Operator, upon notice to MPC and the Trustee, provided that the Operator shall unconditionally guarantee the obligations of such subsidiary hereunder.

- 15.04** Void/Voidable. If for any reason this Agreement shall be held void or voidable, or otherwise be held unlawful, this Agreement shall immediately terminate, and Operator shall have no claim or right of action against MPC, its officials, its employees, its agents or its attorneys for any such termination or alleged act of omission related to the same.
- 15.05** Employment Eligibility. Operator hereby warrants, and shall require its subcontractors to warrant, that it is in compliance with all federal immigration laws and regulations that relate to its employees and with A.R.S. §23-214 relating to verification of employment. A breach of this warranty shall be deemed a material breach of this Agreement and is subject to penalties up to and including termination of this Agreement. The City and MPC retain the legal right to inspect the papers of Operator or any subcontractor employee who works to service the obligations of Operator to ensure that Operator or its subcontractors are complying with this warranty.
- 15.06** Sudan/Iran Investments and Business Operations. By entering into this Agreement, Operator certifies that it does not have scrutinized business operations in Iran or Sudan as those terms are defined in A.R.S. §35-391 et seq.
- 15.07** Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and such signature pages all attached to a single instrument so that the signature of all parties may be physically attached to a single document. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or e-mail in .pdf format shall be effective as delivery of a manually executed counterpart of this Agreement.
- 15.08** Headings. The descriptive headings of the Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.
- 15.09** Further Acts. Each of the parties hereto shall execute and deliver all such documents and perform all such acts as reasonably necessary, from time to time, to carry out the matters contemplated by this Agreement.
- 15.10** Time is of the essence of this Agreement. Time is of the essence of this Agreement.
- 15.11** No Partnership and Third Parties. It is not intended by this Agreement to, and nothing contained in this Agreement shall, create any partnership, joint venture or other similar arrangement between the City, MPC or Operator. No term or provision of this Agreement is intended to, or shall, be for the benefit of any person, firm, organization or corporation not a party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder.
- 15.12** No Personal Liability. No member, official or employee of the City or MPC shall be personally liable to Operator, or any successor or assignee, (a) in the event of any default or breach by MPC or the City, (b) for any amount which may become due to the

Operator or its successor or assign, or (c) pursuant any obligation of MPC or the City under the terms of this Agreement.

XVI. NOTICES

16.01 Notices required to be given hereunder by any party to the other shall be in writing and shall be valid if actually received by the party to whom such notice is given or if deposited in the United States Mail, postage prepaid and addressed to the party as herein below specified. The effective date for noticing shall be the date actually received by the party to whom notice is being given. Notices to the MPC shall be delivered or sent as follows:

MPC Address and Contact: SAN LUIS FACILITY DEVELOPMENT CORPORATION
 1090 E. Union Street
 P.O. Box 1170
 San Luis, Arizona 85349
 Attn: City Manager

Notices to Operator shall be EMERALD CORRECTIONAL MANAGEMENT, L.L.C.
delivered or sent as follows: ATTN: CEO
 315 South College, Suite 205
 Lafayette, LA 70503

With a copy to: Hull Youngblood
 10001 Reunion Place, Suite 640
 San Antonio, Texas 782165

Notices to the Trustee shall be U.S. BANK NATIONAL ASSOCIATION
delivered or sent as follows: 633 W. Fifth Street, 24th Floor
 Los Angeles, CA 90071
 Attention: Keith R. Marshall

XVII. EXECUTION AUTHORITY

17.01 By his or her signature below, each signatory individual certifies that he or she is the properly authorized agent or officer of the applicable party hereto, and has the necessary authority to execute this Agreement on behalf of such party, and each party hereby certifies to the other that any resolutions necessary to create such authority have been duly passed and are now in full force and effect.

XVIII. AMENDMENT

- 18.01 This Agreement may be amended only by a written instrument specifically purporting to amend this Agreement and executed by all parties hereto, and with the prior consent of the Trustee.

XIX. ENTIRE AGREEMENT

- 19.01 This Agreement supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

XX. ADDITIONAL TERMINATION PROVISIONS

- 20.01 In addition to any other rights herein to terminate this Agreement, the Operator may terminate this Agreement upon ninety (90) days' written notice to MPC and the Trustee if a "**Terminating Condition**" occurs and is declared by the Operator. Starting with the seventh Operations Month after the Effective Date and continuing thereafter, a "Terminating Condition" shall be deemed to have occurred if, and only if, during the preceding six (6) consecutive Operations Months, not counting the month of calculation, Operating Shortfalls (less the amount of any Inventive Fees or payments received by the Operator under Section 3.01(g)(iii) of this Agreement) shall in the aggregate equal or exceed the sum of \$250,000.00.
- 20.02 In addition to any other rights herein to terminate this Agreement, after the third anniversary of the date that the Trustee acknowledges this Agreement (as is conclusively determined by the signature page below), the Trustee may, upon 90 days' written notice to MPC and Operator, terminate this Agreement, if, and only if, there have been insufficient Project Revenues attributable to the prior twelve (12) Operations Months to result in the deposit of at least \$1,000,000 of Project Revenues to the Bond Fund under Subsection 5.06(b)(ii) of the Indenture for such months after applying the priorities as set forth in the Interim Forbearance Agreement.
- 20.03 This Agreement shall automatically terminate on the date that termination of the Interim Restructuring Period is effective under the Interim Forbearance Agreement.

XXI DEFINITIONS

- 20.01 All capitalized terms not otherwise defined herein, shall have the meanings given to those capitalized terms in the Indenture or in the Interim Forbearance Agreement. In addition to the definitions of capitalized terms contained elsewhere in this Agreement, the follow capitalized terms shall have the meanings set forth below:

Bond Documents. The term "Bond Documents" as used herein means the documentation creating, authorizing, and issuing the Bonds and the utilization of

the proceeds from the Bonds, including but not limited to the Trust Indenture, as such documents may have been, and may later be, amended and supplemented.

City. The term “City” means the City of San Luis, Arizona.

Party. The term “Party” means Trustee, MPC or Operator separately.

Parties. The term “Parties” means Trustee, MPC and Operator collectively

[Signatures on Next Page]

EXECUTION VERSION

SIGNED by each of the Parties on the dates set forth below:

SAN LUIS FACILITY DEVELOPMENT CORPORATION, as Issuer

By: [Signature]
Name: Jenny Torres
Its: President
Date: October 19, 2016

ATTEST: [Signature]
Corporate Secretary

EMERALD CORRECTIONAL MANAGEMENT, LLC, as Operator

By: _____
Name: _____
Its: _____
Date: _____

Acknowledged by:

U.S. BANK NATIONAL ASSOCIATION,
not individually but solely in its capacity as Trustee

By: _____
Name: _____
Its: _____
Date: _____

EXECUTION VERSION

SIGNED by each of the Parties on the dates set forth below:

SAN LUIS FACILITY DEVELOPMENT CORPORATION, as Issuer

By: _____
Name: _____
Its: _____
Date: _____

ATTEST: _____
Corporate Secretary

EMERALD CORRECTIONAL MANAGEMENT, LLC, as Operator

By: Steve Afeman
Name: STEVE AFEMAN
Its: CEO
Date: 10-20-2016

Acknowledged by:

U.S. BANK NATIONAL ASSOCIATION,
not individually but solely in its capacity as Trustee

By: _____
Name: _____
Its: _____
Date: _____

EXECUTION VERSION

SIGNED by each of the Parties on the dates set forth below:

SAN LUIS FACILITY DEVELOPMENT CORPORATION, as Issuer

By: _____
Name: _____
Its: _____
Date: _____

ATTEST: _____
Corporate Secretary

EMERALD CORRECTIONAL MANAGEMENT, LLC, as Operator

By: _____
Name: _____
Its: _____
Date: _____

Acknowledged by:

**U.S. BANK NATIONAL ASSOCIATION,
not individually but solely in its capacity as Trustee**

By: Keith R. Marshall
Name: KEITH R. MARSHALL
Its: VICE PRESIDENT
Date: 10-20-16



Global Corporate Trust Services
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071

**NOTICE OF UPDATED FINANCIAL INFORMATION AND INMATE
POPULATION AT THE PROJECT**

To holders of:

**\$26,090,000 San Luis Facility Development Corporation
Senior Lien Taxable Refunding Revenue Bonds
(San Luis Regional Detention Center Project) Series 2014 (“Series 2014 Bonds”)**

*CUSIP Nos.: 79854SAL3, 79854SAM1, 79854SAN9, 79854SAP4, 79854SAQ2,
79854SAR0, 79854SAS8

**\$20,835,000 San Luis Facility Development Corporation
Senior Lien Taxable Refunding Revenue Bonds
(San Luis Regional Detention Center Project) Series 2014-A (“Series 2014A Bonds”)**

*CUSIP Nos.: 79854SAW9, 79854SAX7, 79854SAY5, 79854SAZ2, 79854SBA6,
79854SBB4

Please forward this notice to beneficial holders.

U.S. Bank National Association serves as trustee (in such capacity, the “Trustee”) under that certain Trust Indenture dated as of October 1, 2005, between San Luis Facility Development Corporation, as issuer (the “Issuer”), and the Trustee, as supplemented by that certain First Supplemental Indenture dated as of February 1, 2011, Second Supplemental Indenture dated as of March 27, 2014, Third Supplemental Indenture dated as of April 1, 2014, and Fourth Supplemental Indenture dated as of July 1, 2014 (as further amended or supplemented from time to time, the “Indenture”), pursuant to which the above-referenced Series 2014 Bonds and Series 2014A Bonds (collectively, the “Bonds”) have been issued and are outstanding. Capitalized terms used and not otherwise defined in this notice shall have the meanings given to such terms in the Indenture.

As indicated in prior notices, the Trustee, the Issuer and Emerald Correctional Management L.L.C. (the “Former Operator”) had entered into an Interim Agreement Regarding Forbearance, Operation of Project and Project Revenues, dated as of October 20, 2016 (“Forbearance Agreement”), to induce the Former Operator to enter into a Revised Management Agreement, dated October 20, 2016 (“Management Agreement”), with the Issuer to avoid the termination of the prior Management Agreement and potential closure of the San Luis Regional Detention Facility (the “Project”). The terms of the Forbearance Agreement and the Revised Management Agreement are described in prior notices and in the Trustee’s Petition, dated December 5, 2016, for approval of the foregoing agreements by a Minnesota state court, a copy of which was also provided to Bondholders. The Forbearance Agreement and Revised Management Agreement provided, among other things, for relief to the Former Operator by permitting certain operating

expenses to be reimbursed to the Former Operator prior to the payment of principal on the Bonds during an Interim Forbearance Period as defined therein.

On April 7, 2017, the Former Operator entered into an Assignment and Assumption Agreement with LaSalle Corrections, Inc. (“LaSalle”) assigning its rights and delegating its duties to LaSalle with respect to the Project. Following are the LaSalle Operating Results along with the Cash Flow Waterfall results.

LaSalle has done a nice job in rebuilding the Inmate Census as detailed below. The reconciliation of the Operator’s April 2018 Operations Reimbursement Request, shows that although the Inmate Census was pretty strong, the revenue collections for the period were lacking. Full Operator related expenses and Issuer Fees were not fully reimbursed this period. No Principal was collected for this period as well, towards the principal payment next Due on May 1, 2019. The Accounts Receivable Revenues shows a large increase this period as detailed in the table below. Inmate populations can fluctuate day to day and month over month and the ability to service the debt is dependent upon continuing high census counts that may or may not materialize.

The May 1, 2018 Interest Payment and Principal was paid timely. (Interest is next Due on the Bonds on November 1, 2018). The Series 2014 Debt Service Reserve Fund is fully funded at \$2,609,000 and the Series 2014-A Debt Service Reserve Fund is fully funded at \$2,083,500 and have not been drawn upon.

FINANCIAL UPDATE AND INMATE POPULATION AT THE PROJECT

<u>Monthly Ave. Inmate Population:</u>		<u>Gross Revenues</u>	<u>Operator Expenses</u>
April 2017	182	\$ 438,560.30	\$ 643,244.08
May 2017	307	\$ 808,675.73	\$ 694,326.11
June 2017	347	\$ 877,985.21	\$ 671,760.45
July 2017	440	\$1,133,807.77	\$ 841,235.94
August 2017	534	\$1,399,994.24	*\$1,078,109.26
September 2017	756	\$1,498,108.99	\$1,108,700.64
October 2017	763	\$1,458,194.02	\$1,101,619.41
November 2017	792	\$2,401,823.60	\$1,171,978.69
December 2017	790	\$1,453,718.86	\$1,140,364.87
January 2018	691	\$ 971,276.08	\$1,149,270.89
February 2018	701	\$3,521,965.35	\$1,120,322.52

March 2018	671	\$ 341,050.80	\$1,109,822.34
April 2018	682	(To Be Determined – Not Yet Submitted By Operator)	

***Revised for Disallowed Amortization Expense**

Accounts Receivable Information - See the Attached Accounts Receivable Report for Open Invoices Billed by the Operator that were not collected by April 30, 2018, in the aggregate amount of \$2,225,937.04. The Trustee's reimbursement to the Operator is based upon cash receipts actually received during the reimbursement period.

	<u>Debt Service</u>	<u>Debt Service</u>	<u>May 1, 2018</u>
	<u>Interest Collected</u>	<u>Principal Collected</u>	<u>Principal Deficit</u>
April 2017	\$238,560.21	\$ 160,416.67	N/A
May 2017	\$231,067.71	\$ 0.00	(\$ 167,916.66)
June 2017	\$231,067.71	\$ 0.00	(\$ 335,833.32)
July 2017	\$231,067.71	\$ 0.00	(\$ 503,749.98)
August 2017	\$231,067.71	\$ 0.00	(\$ 671,666.64)
September 2017	\$231,067.71	\$ 0.00	(\$ 839,583.30)
October 2017	\$231,067.71	\$ 0.00	(\$1,007,499.96)* (Revised)
November 2017	\$231,067.71	\$ 262,450.96	(\$ 912,965.66)* (Revised)
December 2018	\$231,067.71	\$ 0.00	(\$1,080,882.32)* (Revised)
January 2018	\$231,067.71	\$ 0.00	(\$1,248,798.98)* (Revised)
February 2018	\$231,067.71	\$ 0.00	(\$1,416,715.64)* (Revised)
March 2018	\$231,067.71	\$1,583,514.99	(\$ 1,117.31)
April 2018	\$222,553.17	\$ 0.00	(\$ 177,783.97)

	<u>Unreimbursed Operator Expenses</u>	<u>Unreimbursed Operator Costs (Aggregate)</u>
April 2017	(\$442,849.87)	(\$442,849.87)
May 2017	(\$116,249.87)	(\$559,099.74)
June 2017	(\$ 24,842.95)	(\$583,942.69)

July 2017	\$ 61,504.12	(\$522,438.57)	
August 2017	\$ 90,817.27	*(431,621.30)	
September 2017	\$158,340.64	(\$273,280.66)	
October 2017	\$111,612.90	(\$161,667.76)	
November 2017	\$161,667.76	\$ 0.00	(Paid Current This Period)
December 2017	\$ 0.00	\$ 0.00	(Paid Current This Period)
January 2018	\$413,748.92	(\$413,748.92)	
February 2018	\$413,748.92	\$ 0.00	(Paid Current This Period)
March 2018	(\$991,764.71)	(\$991,764.71)	
April 2018	(To Be Determined – Not Yet Submitted By Operator)		

***Revised for Disallowed Amortization Expense**

	<u>Unreimbursed Issuer Fees</u>	<u>Unreimbursed Issuer Fees (Aggregate)</u>
April 2017	(\$ 17,000.00)	(\$ 17,000.00)
May 2017	(\$ 17,000.00)	(\$ 34,000.00)
June 2017	(\$ 17,000.00)	(\$ 51,000.00)
July 2017	(\$ 17,000.00)	(\$ 68,000.00)
August 2017	(\$ 17,000.00)	(\$ 85,000.00)
September 2017	(\$ 17,000.00)	(\$ 102,000.00)
October 2017	(\$ 17,000.00)	(\$ 119,000.00)
November 2017	\$ 136,000.00	\$ 0.00 (Paid Current This Period)
December 2017	\$ 17,000.00	\$ 0.00 (Paid Current This Period)
January 2018	\$ 17,000.00	(\$ 17,000.00)
February 2018	\$ 34,000.00	\$ 0.00 (Paid Current This Period)
March 2018	(\$ 17,000.00)	(\$ 17,000.00)
April 2018	(To Be Determined – Not Yet Submitted By Operator)	

Unreimbursed Operator G&A Costs

Unreimbursed Operator G&A Costs (Aggregate)

April 2017	(\$ 38,594.64)	(\$ 38,594.64)
May 2017	(\$ 41,659.57)	(\$ 80,254.21)
June 2017	(\$ 40,305.63)	(\$120,559.84)
July 2017	(\$ 50,474.16)	(\$171,034.00)
August 2017	*(\$ 64,686.56)	*(\$235,720.56)
September 2017	(\$ 66,522.04)	(\$302,242.60)
October 2017	(\$ 66,097.16)	(\$368,339.76)
November 2017	\$ 438,658.48	\$ 0.00 (Paid Current This Period)
December 2017	\$ 68,421.89	(\$ 3,135.61)
January 2018	\$ 68,956.25	(\$ 72,091.86)
February 2018	\$ 139,311.21	\$ 0.00 (Paid Current This Period)
March 2018	(\$ 66,589.34)	(\$ 66,589.34)
April 2018	(To Be Determined – Not Yet Submitted By Operator)	

***Revised for Disallowed Amortization Expense**

Project Occupancy Report (April 2017 to April 2018), as Reported by the Operator

Inmate Population Count
Totals

SAN LUIS ARIZONA

	US Marshalls		BP		City		CBP		ICE		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
April 2017	153	5	1	0	0	0	1	0	0	0	160
May 2017	288	7	5	0	0	0	0	0	1	1	304
June 2017	307	14	3	0	1	0	0	0	14	5	345
July 2017	396	18	2	0	2	0	0	0	20	2	440
August 2017	407	48	4	0	1	0	0	0	60	13	534
September 2017	481	86	3	1	1	0	0	0	156	27	756
October 2017	454	84	3	0	1	0	0	0	192	27	763
November 2017	435	81	3	1	1	0	0	1	229	24	790
December 2017	431	100	3	1	1	0	1	0	208	52	691
January 2018	339	85	4	1	1	0	1	0	124	40	701
February 2018	441	91	3	1	1	0	1	0	106	40	671
March 2018	450	72	1	0	1	0	1	0	150	24	682
April 2018	442	61	3	0	1	0	1	0	115	22	682
	387	58	3	0	1	0	0	0	115	22	587 ADP

	US Marshalls		BP		CBP		CBP		ICE		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
2017	373	49	3	0	1	0	0	0	101	15	543
2018	418	77	3	0	1	0	1	0	147	39	686

Accounts Receivable Summary as of May 1, 2018

11:46 AM

05/01/18

**SAN LUIS REGIONAL DETENTION CENTER
A/R Aging Summary
As of May 1, 2018**

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Border Patrol - El Centro	0.00	0.00	2,157.00	0.00	0.00	2,157.00
Border Patrol - San Diego	0.00	0.00	0.00	258.84	56.32	315.16
Border Patrol - Yuma Sector	0.00	0.00	345.12	258.84	4,055.16	4,659.12
Bureau of Indina Affairs	0.00	0.00	0.00	0.00	24,480.00	24,480.00
Correct Commissary	0.00	0.00	5,093.93	0.00	0.00	5,093.93
Correctional Food Services	0.00	0.00	0.00	0.00	-5,033.78	-5,033.78
Customs & Border Protection - Calexico	0.00	0.00	0.00	172.56	170.00	342.56
Customs & Border Protection - San Ysidro	0.00	0.00	1,380.48	603.96	86.28	2,070.72
DHS, ICE	0.00	0.00	451,279.68	565,036.19	155,125.23	1,171,441.10
US BANK - INTEREST	0.00	0.00	0.00	0.00	-1,271.55	-1,271.55
USMS - AZ	0.00	2,009.91	3,099.86	0.00	5,780.82	10,890.59
USMS - CA	0.00	0.00	1,122,270.28	0.00	-111,478.09	1,010,792.19
TOTAL	0.00	2,009.91	1,585,626.35	566,330.39	71,970.39	2,225,937.04

Notices to Holders, the Official Statements and other information concerning the Bonds can be found on the Municipal Securities Rulemaking Board (MSRB) website at www.emma.msrb.org. Holders with questions about this notice should direct them to Keith Marshall, Vice President, U.S. Bank National Association, Global Corporate Trust Services, 633 W. Fifth Street, 24th Floor, Los Angeles, CA 90071, or Keith.Marshall@usbank.com. Holders with questions may also contact U.S. Bank at either (800) 934-6802, option 4; or: www.usbank.com/cor_trust/bondholder_contact.html.

The Trustee may conclude that a specific response to particular inquiries from individual Holders is not consistent with equal and full dissemination of information to all Holders. Holders should not rely on the Trustee as their sole source of information. The Trustee makes no recommendations and gives no investment, legal or tax advice.

U.S. Bank National Association,

May 8, 2018

as Trustee * Trustee is not responsible for selection or use of CUSIP. It is included solely for holder convenience.



Global Corporate Trust Services
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071

90 DAY NOTICE TO ISSUER AND OPERATOR
RE
TERMINATION OF FORBEARANCE AGREEMENT

\$26,090,000 San Luis Facility Development Corporation
Senior Lien Taxable Refunding Revenue Bonds
(San Luis Regional Detention Center Project) Series 2014 (“Series 2014 Bonds”)

\$20,835,000 San Luis Facility Development Corporation
Senior Lien Taxable Refunding Revenue Bonds
(San Luis Regional Detention Center Project) Series 2014-A (“Series 2014A Bonds”)

August 28, 2018

Ms. Jenny Torres
President
San Luis Facility Development Corporation
1090 E. Union St.
San Luis, AZ 85349
E-Mail: jtorres@cityofsanluis.org

Mr. Tim Kurpiewski
Chief Financial Officer
LaSalle Southwest Corrections
26228 Ranch Road 12
Dripping Springs, TX 78620
E-Mail: timkswc@aol.com

As you know U.S. Bank National Association serves as trustee (in such capacity, the “Trustee”) under that certain Trust Indenture dated as of October 1, 2005, between San Luis Facility Development Corporation, as issuer (the “Issuer”), and the Trustee, as supplemented by that certain First Supplemental Indenture dated as of February 1, 2011, Second Supplemental Indenture dated as of March 27, 2014, Third Supplemental Indenture dated as of April 1, 2014, and Fourth Supplemental Indenture dated as of July 1, 2014 (as further amended or supplemented from time to time, the “Indenture”), pursuant to which the above-referenced Series 2014 Bonds and Series 2014A Bonds (collectively, the “Bonds”) have been issued and are outstanding. Capitalized terms used and not otherwise defined in this notice shall have the meanings given to such terms in the Indenture or the Forbearance Agreement defined below.

Reference is hereby made to that certain Interim Agreement Regarding Forbearance, Operation of Project and Project Revenues, dated as of October 20, 2016 (“Forbearance Agreement”), by and

among the Trustee, the Issuer and Emerald Correctional Management L.L.C. (the “Former Operator”), as assigned by the Former Operator to and assumed by LaSalle Corrections, Inc. (“LaSalle”) on or about April 7, 2017, pursuant to Assignment and Assumption Agreement between the Former Operator and LaSalle.

Pursuant to Section 6 of the Forbearance Agreement, the Trustee hereby notifies and informs the Issuer and LaSalle that it is exercising its right to terminate the Forbearance Agreement effective as of December 1, 2018, which date shall constitute the Termination Date under the Forbearance Agreement without further notice to or action by any party. For the avoidance of doubt, nothing herein shall constitute a waiver of any right or remedy of the Trustee or any Bondholder under any document or agreement or of any present or future Event of Default, or a modification of the duties and obligations of the Issuer under the Indenture.

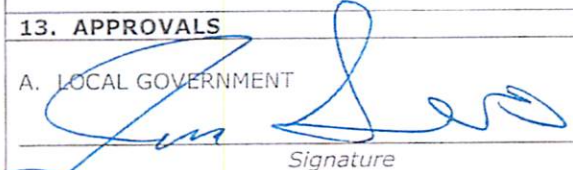

If you have any questions, please contact the undersigned at 213-615-6034 or via email at Keith.Marshall@usbank.com.

U.S. BANK NATIONAL ASSOCIATION,
not individually but solely in its capacity as Trustee

By: Keith R. Marshall
Keith R. Marshall
Vice President

U. S. Department of Justice
United States Marshals Service

Modification of Intergovernmental Agreement

1. Agreement No. ODT-1-7-0002	2. Effective Date 8/03/2018	3. Facility Code(s) 6Q2	4. Modification No. Thirteen (13)	5. DUNS No. 963542084
6. Issuing Federal Agency United States Marshals Service Prisoner Operations Division Intergovernmental Agreements Branch CG-3, Suite 300 Washington, DC 20530-0001		7. Local Government San Luis Regional Detention Facility 406 N. Avenue D Yuma, AZ 85349		
8. Appropriation Data 15X1020	9. Per-Diem Rate \$ 92.48	10. Guard/Transportation Hourly Rate \$ 33.30 <i>Mileage shall be reimbursed by the Federal Government at the General Services Administration (GSA) Federal Travel Regulation Mileage Rate.</i>		
11. EXCEPT AS PROVIDED SPECIFICALLY HEREIN, ALL TERMS AND CONDITIONS OF THE IGA DOCUMENT REFERRED TO IN BLOCK 1, REMAIN UNCHANGED. TERMS OF THIS MODIFICATION: The purpose of this modification is: 1) To adjust the current per diem rate of \$86.28 to \$92.48 and the guard/transportation rate of \$28.21 to \$33.30 to reflect the Department of Labor Wage Determination (WD) number 2015-5475 (Rev 5) dated January 10, 2018 to be effective 8/3/2018. 2) To classify the officers from Guard II (\$16.99) to Correctional Officers (\$20.94). LaSalle Corrections and the San Luis Facility agrees to implement the corresponding wage rate for Correctional Officers effective as of August 3, 2018. Please note that the officers have historically been classified as Guard II and reviewed accordingly through the annual DOL Wage determinations by the USMS and that this classification is not in dispute. Attachments: Wage Determination (WD) number 2015-5475 (Rev 5) dated January 10, 2018. Interim Agreement Between IGUA and LaSalle Concerning Officer Classification NO OTHER TERMS OR CONDITIONS ARE AFFECTED BY THIS CHANGE				
12. INSTRUCTIONS TO LOCAL GOVERNMENT FOR EXECUTION OF THIS MODIFICATION:				
A. <input type="checkbox"/> LOCAL GOVERNMENT IS NOT REQUIRED TO SIGN THIS DOCUMENT		B. <input checked="" type="checkbox"/> LOCAL GOVERNMENT IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN ALL COPIES TO U. S. MARSHAL		
13. APPROVALS				
A. LOCAL GOVERNMENT  _____ Signature President TITLE 9-18-2018 DATE		B. FEDERAL GOVERNMENT  _____ Signature Grants Specialist TITLE 9-18-18 DATE		

WD 15-5475 (Rev.-5) was first posted on www.wdol.gov on 01/16/2018

REGISTER OF WAGE DETERMINATIONS UNDER THE SERVICE CONTRACT ACT		U.S. DEPARTMENT OF LABOR EMPLOYMENT STANDARDS ADMINISTRATION WAGE AND HOUR DIVISION WASHINGTON D.C. 20210
By direction of the Secretary of Labor		

Daniel W. Simms Director		Wage Determination No.: 2015-5475 Revision No.: 5 Date Of Revision: 01/10/2018
Division of Wage Determinations		

Note: Under Executive Order (EO) 13658, an hourly minimum wage of \$10.35 for calendar year 2018 applies to all contracts subject to the Service Contract Act for which the contract is awarded (and any solicitation was issued) on or after January 1, 2015. If this contract is covered by the EO, the contractor must pay all workers in any classification listed on this wage determination at least \$10.35 per hour (or the applicable wage rate listed on this wage determination, if it is higher) for all hours spent performing on the contract in calendar year 2018. The EO minimum wage rate will be adjusted annually. Additional information on contractor requirements and worker protections under the EO is available at www.dol.gov/whd/govcontracts

State: Arizona

Area: Arizona County of Yuma

****Fringe Benefits Required Follow the Occupational Listing****

OCCUPATION CODE - TITLE	FOOTNOTE	RATE
01000 - Administrative Support And Clerical Occupations		
01011 - Accounting Clerk I		12.80
01012 - Accounting Clerk II		14.37
01013 - Accounting Clerk III		17.65
01020 - Administrative Assistant		20.54
01035 - Court Reporter		16.30
01041 - Customer Service Representative I		9.80
01042 - Customer Service Representative II		11.02
01043 - Customer Service Representative III		12.03
01051 - Data Entry Operator I		11.32
01052 - Data Entry Operator II		12.36
01060 - Dispatcher, Motor Vehicle		17.45
01070 - Document Preparation Clerk		12.36
01090 - Duplicating Machine Operator		12.36
01111 - General Clerk I		11.86
01112 - General Clerk II		12.94
01113 - General Clerk III		15.03
01120 - Housing Referral Assistant		17.30
01141 - Messenger Courier		10.07
01191 - Order Clerk I		14.73
01192 - Order Clerk II		17.93
01261 - Personnel Assistant (Employment) I		13.85
01262 - Personnel Assistant (Employment) II		15.50
01263 - Personnel Assistant (Employment) III		17.27
01270 - Production Control Clerk		18.61
01290 - Rental Clerk		12.09
01300 - Scheduler, Maintenance		13.88
01311 - Secretary I		13.88
01312 - Secretary II		15.53

01313 - Secretary III	17.30
01320 - Service Order Dispatcher	15.60
01410 - Supply Technician	20.54
01420 - Survey Worker	14.36
01460 - Switchboard Operator/Receptionist	11.97
01531 - Travel Clerk I	11.73
01532 - Travel Clerk II	12.37
01533 - Travel Clerk III	12.98
01611 - Word Processor I	12.36
01612 - Word Processor II	14.07
01613 - Word Processor III	16.09
05000 - Automotive Service Occupations	
05005 - Automobile Body Repairer, Fiberglass	25.04
05010 - Automotive Electrician	19.99
05040 - Automotive Glass Installer	19.24
05070 - Automotive Worker	19.24
05110 - Mobile Equipment Servicer	17.70
05130 - Motor Equipment Metal Mechanic	20.69
05160 - Motor Equipment Metal Worker	19.24
05190 - Motor Vehicle Mechanic	20.32
05220 - Motor Vehicle Mechanic Helper	16.60
05250 - Motor Vehicle Upholstery Worker	18.53
05280 - Motor Vehicle Wrecker	19.24
05310 - Painter, Automotive	19.99
05340 - Radiator Repair Specialist	19.24
05370 - Tire Repairer	15.52
05400 - Transmission Repair Specialist	20.69
07000 - Food Preparation And Service Occupations	
07010 - Baker	12.00
07041 - Cook I	12.16
07042 - Cook II	13.21
07070 - Dishwasher	9.01
07130 - Food Service Worker	10.02
07210 - Meat Cutter	16.06
07260 - Waiter/Waitress	8.96
09000 - Furniture Maintenance And Repair Occupations	
09010 - Electrostatic Spray Painter	20.89
09040 - Furniture Handler	14.49
09080 - Furniture Refinisher	20.89
09090 - Furniture Refinisher Helper	17.14
09110 - Furniture Repairer, Minor	19.37
09130 - Upholsterer	20.89
11000 - General Services And Support Occupations	
11030 - Cleaner, Vehicles	10.32
11060 - Elevator Operator	10.16
11090 - Gardener	14.14
11122 - Housekeeping Aide	10.16
11150 - Janitor	10.16
11210 - Laborer, Grounds Maintenance	11.13
11240 - Maid or Houseman	9.28
11260 - Pruner	10.16
11270 - Tractor Operator	13.17
11330 - Trail Maintenance Worker	11.13
11360 - Window Cleaner	10.52
12000 - Health Occupations	
12010 - Ambulance Driver	15.18
12011 - Breath Alcohol Technician	20.45
12012 - Certified Occupational Therapist Assistant	26.16
12015 - Certified Physical Therapist Assistant	26.16
12020 - Dental Assistant	16.38

12025 - Dental Hygienist	38.82
12030 - EKG Technician	32.41
12035 - Electroneurodiagnostic Technologist	32.41
12040 - Emergency Medical Technician	15.18
12071 - Licensed Practical Nurse I	19.11
12072 - Licensed Practical Nurse II	21.37
12073 - Licensed Practical Nurse III	23.84
12100 - Medical Assistant	14.35
12130 - Medical Laboratory Technician	19.11
12160 - Medical Record Clerk	14.62
12190 - Medical Record Technician	17.64
12195 - Medical Transcriptionist	19.11
12210 - Nuclear Medicine Technologist	46.97
12221 - Nursing Assistant I	10.75
12222 - Nursing Assistant II	12.09
12223 - Nursing Assistant III	13.19
12224 - Nursing Assistant IV	14.81
12235 - Optical Dispenser	18.59
12236 - Optical Technician	18.71
12250 - Pharmacy Technician	14.41
12280 - Phlebotomist	14.81
12305 - Radiologic Technologist	28.41
12311 - Registered Nurse I	22.93
12312 - Registered Nurse II	28.06
12313 - Registered Nurse II, Specialist	28.06
12314 - Registered Nurse III	32.85
12315 - Registered Nurse III, Anesthetist	32.85
12316 - Registered Nurse IV	40.68
12317 - Scheduler (Drug and Alcohol Testing)	26.49
12320 - Substance Abuse Treatment Counselor	20.75
13000 - Information And Arts Occupations	
13011 - Exhibits Specialist I	17.75
13012 - Exhibits Specialist II	20.68
13013 - Exhibits Specialist III	24.70
13041 - Illustrator I	17.75
13042 - Illustrator II	20.68
13043 - Illustrator III	24.70
13047 - Librarian	22.36
13050 - Library Aide/Clerk	11.81
13054 - Library Information Technology Systems Administrator	20.19
13058 - Library Technician	16.30
13061 - Media Specialist I	14.57
13062 - Media Specialist II	16.30
13063 - Media Specialist III	18.17
13071 - Photographer I	14.69
13072 - Photographer II	18.91
13073 - Photographer III	22.03
13074 - Photographer IV	26.14
13075 - Photographer V	31.63
13090 - Technical Order Library Clerk	14.57
13110 - Video Teleconference Technician	14.57
14000 - Information Technology Occupations	
14041 - Computer Operator I	15.50
14042 - Computer Operator II	17.36
14043 - Computer Operator III	20.82
14044 - Computer Operator IV	22.18
14045 - Computer Operator V	24.57
14071 - Computer Programmer I	20.98
14072 - Computer Programmer II	25.99

(see 1)

(see 1)

14073	- Computer Programmer III	(see 1)
14074	- Computer Programmer IV	(see 1)
14101	- Computer Systems Analyst I	(see 1)
14102	- Computer Systems Analyst II	(see 1)
14103	- Computer Systems Analyst III	(see 1)
14150	- Peripheral Equipment Operator	
14160	- Personal Computer Support Technician	
14170	- System Support Specialist	
15000	- Instructional Occupations	
15010	- Aircraft Training Devices Instructor (Non-Rated)	
15020	- Aircraft Training Devices Instructor (Rated)	
15030	- Air Crew Training Devices Instructor (Pilot)	
15050	- Computer Based Training Specialist / Instructor	
15060	- Educational Technologist	
15070	- Flight Instructor (Pilot)	
15080	- Graphic Artist	
15085	- Maintenance Test Pilot, Fixed, Jet/Prop	
15086	- Maintenance Test Pilot, Rotary Wing	
15088	- Non-Maintenance Test/Co-Pilot	
15090	- Technical Instructor	
15095	- Technical Instructor/Course Developer	
15110	- Test Proctor	
15120	- Tutor	
16000	- Laundry, Dry-Cleaning, Pressing And Related Occupations	
16010	- Assembler	
16030	- Counter Attendant	
16040	- Dry Cleaner	
16070	- Finisher, Flatwork, Machine	
16090	- Presser, Hand	
16100	- Presser, Machine, Drycleaning	
16130	- Presser, Machine, Shirts	
16160	- Presser, Machine, Wearing Apparel, Laundry	
16190	- Sewing Machine Operator	
16220	- Tailor	
16250	- Washer, Machine	
19000	- Machine Tool Operation And Repair Occupations	
19010	- Machine-Tool Operator (Tool Room)	
19040	- Tool And Die Maker	
21000	- Materials Handling And Packing Occupations	
21020	- Forklift Operator	
21030	- Material Coordinator	
21040	- Material Expediter	
21050	- Material Handling Laborer	
21071	- Order Filler	
21080	- Production Line Worker (Food Processing)	
21100	- Shipping Packer	
21130	- Shipping/Receiving Clerk	
21140	- Store Worker I	
21150	- Stock Clerk	
21210	- Tools And Parts Attendant	
21410	- Warehouse Specialist	
23000	- Mechanics And Maintenance And Repair Occupations	
23010	- Aerospace Structural Welder	
23019	- Aircraft Logs and Records Technician	
23021	- Aircraft Mechanic I	
23022	- Aircraft Mechanic II	
23023	- Aircraft Mechanic III	
23040	- Aircraft Mechanic Helper	
23050	- Aircraft, Painter	
23060	- Aircraft Servicer	
26.90		
23.22		
26.90		
23.22		
25.92		
26.90		
27.85		
20.80		
25.05		
23.22		
13.54		
13.54		
16.56		
12.54		
13.35		
13.35		
13.54		
12.71		
11.73		
18.61		
18.61		
13.54		
26.77		
21.81		
11.70		
13.84		
13.31		
11.17		
11.17		
11.17		
11.17		
11.17		
12.78		
11.17		
11.17		
15.98		
15.98		
24.00		
19.79		
38.57		
38.57		
38.57		
24.00		
38.70		
22.07		
27.36		
38.70		
33.10		
27.36		
22.41		
23.85		
15.50		
27.36		

23070 - Aircraft Survival Flight Equipment Technician	25.05
23080 - Aircraft Worker	24.11
23091 - Aircrew Life Support Equipment (ALSE) Mechanic I	24.11
23092 - Aircrew Life Support Equipment (ALSE) Mechanic II	25.92
23110 - Appliance Mechanic	21.20
23120 - Bicycle Repairer	17.07
23125 - Cable Splicer	22.70
23130 - Carpenter, Maintenance	18.13
23140 - Carpet Layer	19.69
23160 - Electrician, Maintenance	21.53
23181 - Electronics Technician Maintenance I	19.95
23182 - Electronics Technician Maintenance II	23.98
23183 - Electronics Technician Maintenance III	28.71
23260 - Fabric Worker	19.75
23290 - Fire Alarm System Mechanic	22.08
23310 - Fire Extinguisher Repairer	17.67
23311 - Fuel Distribution System Mechanic	22.08
23312 - Fuel Distribution System Operator	17.67
23370 - General Maintenance Worker	17.45
23380 - Ground Support Equipment Mechanic	25.92
23381 - Ground Support Equipment Servicer	23.22
23382 - Ground Support Equipment Worker	24.11
23391 - Gunsmith I	17.30
23392 - Gunsmith II	19.69
23393 - Gunsmith III	22.08
23410 - Heating, Ventilation And Air-Conditioning Mechanic	20.64
23411 - Heating, Ventilation And Air Contidioning Mechanic (Research Facility)	21.67
23430 - Heavy Equipment Mechanic	23.87
23440 - Heavy Equipment Operator	20.31
23460 - Instrument Mechanic	22.08
23465 - Laboratory/Shelter Mechanic	20.89
23470 - Laborer	11.73
23510 - Locksmith	20.89
23530 - Machinery Maintenance Mechanic	24.66
23550 - Machinist, Maintenance	21.19
23580 - Maintenance Trades Helper	15.06
23591 - Metrology Technician I	22.08
23592 - Metrology Technician II	22.91
23593 - Metrology Technician III	23.73
23640 - Millwright	22.08
23710 - Office Appliance Repairer	20.89
23760 - Painter, Maintenance	18.35
23790 - Pipefitter, Maintenance	18.76
23810 - Plumber, Maintenance	18.13
23820 - Pneudraulic Systems Mechanic	22.08
23850 - Rigger	22.08
23870 - Scale Mechanic	19.69
23890 - Sheet-Metal Worker, Maintenance	18.76
23910 - Small Engine Mechanic	19.69
23931 - Telecommunications Mechanic I	24.29
23932 - Telecommunications Mechanic II	27.68
23950 - Telephone Lineman	22.08
23960 - Welder, Combination, Maintenance	18.76
23965 - Well Driller	22.08
23970 - Woodcraft Worker	22.08
23980 - Woodworker	17.67

24000	- Personal Needs Occupations	14.82
24550	- Case Manager	9.53
24570	- Child Care Attendant	12.27
24580	- Child Care Center Clerk	11.28
24610	- Chore Aide	14.82
24620	- Family Readiness And Support Services Coordinator	17.08
24630	- Homemaker	22.81
25000	- Plant And System Operations Occupations	20.34
25010	- Boiler Tender	17.14
25040	- Sewage Plant Operator	23.65
25070	- Stationary Engineer	20.34
25190	- Ventilation Equipment Tender	22.81
25210	- Water Treatment Plant Operator	20.34
27000	- Protective Service Occupations	16.85
27004	- Alarm Monitor	11.11
27007	- Baggage Inspector	11.11
27008	- Corrections Officer	20.94
27010	- Court Security Officer	21.05
27030	- Detection Dog Handler	16.99
27040	- Detention Officer	20.94
27070	- Firefighter	19.82
27101	- Guard I	11.11
27102	- Guard II	16.99
27131	- Police Officer I	22.61
27132	- Police Officer II	25.13
28000	- Recreation Occupations	13.99
28041	- Carnival Equipment Operator	14.91
28042	- Carnival Equipment Repairer	10.02
28043	- Carnival Worker	14.90
28210	- Gate Attendant/Gate Tender	13.28
28310	- Lifeguard	16.67
28350	- Park Attendant (Aide)	12.17
28510	- Recreation Aide/Health Facility Attendant	16.89
28515	- Recreation Specialist	13.28
28630	- Sports Official	17.78
28690	- Swimming Pool Operator	18.77
29000	- Stevedoring/Longshoremen Occupational Services	18.77
29010	- Blocker And Bracer	18.77
29020	- Hatch Tender	18.77
29030	- Line Handler	17.86
29041	- Stevedore I	19.99
29042	- Stevedore II	17.97
30000	- Technical Occupations	37.52
30010	- Air Traffic Control Specialist, Center (HFO) (see 2)	25.87
30011	- Air Traffic Control Specialist, Station (HFO) (see 2)	28.49
30012	- Air Traffic Control Specialist, Terminal (HFO) (see 2)	17.97
30021	- Archaeological Technician I	20.10
30022	- Archaeological Technician II	24.28
30023	- Archaeological Technician III	24.91
30030	- Cartographic Technician	24.94
30040	- Civil Engineering Technician	24.84
30051	- Cryogenic Technician I	27.44
30052	- Cryogenic Technician II	17.97
30061	- Drafter/CAD Operator I	20.10
30062	- Drafter/CAD Operator II	22.42
30063	- Drafter/CAD Operator III	27.53
30064	- Drafter/CAD Operator IV	15.26
30081	- Engineering Technician I	17.97
30082	- Engineering Technician II	17.97

99830	- Survey Party Chief	30.40
99820	- School Crossing Guard	13.78
99810	- Sales Clerk	12.75
99730	- Refuse Collector	14.90
99711	- Recycling Specialist	18.65
99710	- Recycling Laborer	16.32
99510	- Photofinishing Worker	12.53
99410	- Pest Controller	14.96
99310	- Mortician	23.85
99260	- Marketing Analyst	21.99
99252	- Laboratory Animal Caretaker II	18.38
99251	- Laboratory Animal Caretaker I	17.13
99130	- Flight Follower	23.85
99095	- Embalmer	23.85
99050	- Desk Clerk	10.06
99030	- Cashier	9.53
99020	- Cabin Safety Specialist	14.07
99000	- Miscellaneous Occupations	
31364	- Truckdriver, Tractor-Trailer	16.71
31363	- Truckdriver, Heavy	16.71
31362	- Truckdriver, Medium	16.93
31361	- Truckdriver, Light	15.77
31310	- Taxi Driver	11.36
31290	- Shuttle Bus Driver	15.77
31260	- Parking and Lot Attendant	11.50
31043	- Driver Courier	14.70
31030	- Bus Driver	17.15
31020	- Bus Aide	12.58
31010	- Airplane Pilot	28.85
31000	- Transportation/Mobile Equipment Operation Occupations	
30621	- Weather Observer, Senior	22.42
	Surface Programs (see 2)	
30620	- Weather Observer, Combined Upper Air Or	21.14
30502	- Weather Forecaster II	30.21
30501	- Weather Forecaster I	24.84
30495	- Unexploded (UXO) Sweep Personnel	23.85
30494	- Unexploded (UXO) Safety Escort	23.85
30493	- Unexploded Ordnance (UXO) Technician III	34.58
30492	- Unexploded Ordnance (UXO) Technician II	28.85
30491	- Unexploded Ordnance (UXO) Technician I	23.85
30463	- Technical Writer III	34.64
30462	- Technical Writer II	28.63
30461	- Technical Writer I	23.42
30395	- Radiation Control Technician	27.44
30390	- Photo-Optics Technician	24.91
30375	- Petroleum Supply Specialist	27.44
30364	- Paralegal/Legal Assistant IV	32.86
30363	- Paralegal/Legal Assistant III	27.60
30362	- Paralegal/Legal Assistant II	22.56
30361	- Paralegal/Legal Assistant I	18.14
30240	- Mathematical Technician	24.91
30222	- Latent Fingerprint Technician II	27.44
30221	- Latent Fingerprint Technician I	24.84
30210	- Laboratory Technician	20.88
30095	- Evidence Control Specialist	22.42
30090	- Environmental Technician	24.91
30086	- Engineering Technician VI	36.86
30085	- Engineering Technician V	30.47
30084	- Engineering Technician IV	24.91
30083	- Engineering Technician III	20.10

99831 - Surveying Aide	18.92
99832 - Surveying Technician	25.95
99840 - Vending Machine Attendant	17.96
99841 - Vending Machine Repairer	22.09
99842 - Vending Machine Repairer Helper	17.96

Note: Executive Order (EO) 13706, Establishing Paid Sick Leave for Federal Contractors, applies to all contracts subject to the Service Contract Act for which the contract is awarded (and any solicitation was issued) on or after January 1, 2017. If this contract is covered by the EO, the contractor must provide employees with 1 hour of paid sick leave for every 30 hours they work, up to 56 hours of paid sick leave each year. Employees must be permitted to use paid sick leave for their own illness, injury or other health-related needs, including preventive care; to assist a family member (or person who is like family to the employee) who is ill, injured, or has other health-related needs, including preventive care; or for reasons resulting from, or to assist a family member (or person who is like family to the employee) who is the victim of, domestic violence, sexual assault, or stalking. Additional information on contractor requirements and worker protections under the EO is available at www.dol.gov/whd/govcontracts.

ALL OCCUPATIONS LISTED ABOVE RECEIVE THE FOLLOWING BENEFITS:

HEALTH & WELFARE: \$4.41 per hour or \$176.40 per week or \$764.40 per month

HEALTH & WELFARE EO 13706: \$4.13 per hour, or \$165.20 per week, or \$715.87 per month*

*This rate is to be used only when compensating employees for performance on an SCA-covered contract also covered by EO 13706, Establishing Paid Sick Leave for Federal Contractors. A contractor may not receive credit toward its SCA obligations for any paid sick leave provided pursuant to EO 13706.

VACATION: 2 weeks paid vacation after 1 year of service with a contractor or successor, 3 weeks after 5 years, and 4 weeks after 15 years. Length of service includes the whole span of continuous service with the present contractor or successor, wherever employed, and with the predecessor contractors in the performance of similar work at the same Federal facility. (Reg. 29 CFR 4.173)

HOLIDAYS: A minimum of ten paid holidays per year: New Year's Day, Martin Luther King Jr.'s Birthday, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day. (A contractor may substitute for any of the named holidays another day off with pay in accordance with a plan communicated to the employees involved.) (See 29 CFR 4.174)

THE OCCUPATIONS WHICH HAVE NUMBERED FOOTNOTES IN PARENTHESES RECEIVE THE FOLLOWING:

1) **COMPUTER EMPLOYEES:** Under the SCA at section 8(b), this wage determination does not apply to any employee who individually qualifies as a bona fide executive, administrative, or professional employee as defined in 29 C.F.R. Part 541. Because most Computer System Analysts and Computer Programmers who are compensated at a rate not less than \$27.63 (or on a salary or fee basis at a rate not less than \$455 per week) an hour would likely qualify as exempt computer professionals, (29 C.F.R. 541.400) wage rates may not be listed on this wage determination for all occupations within those job families. In addition, because this wage determination may not

list a wage rate for some or all occupations within those job families if the survey data indicates that the prevailing wage rate for the occupation equals or exceeds \$27.63 per hour. Conformance may be necessary for certain nonexempt employees. For example, if an individual employee is nonexempt but nevertheless performs duties within the scope of one of the Computer Systems Analyst or Computer Programmer occupations for which this wage determination does not specify an SCA wage rate, then the wage rate for that employee must be conformed in accordance with the conformance procedures described in the conformance note included on this wage determination.

Additionally, because job titles vary widely and change quickly in the computer industry, job titles are not determinative of the application of the computer professional exemption. Therefore, the exemption applies only to computer employees who satisfy the compensation requirements and whose primary duty consists of:

(1) The application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software or system functional specifications;

(2) The design, development, documentation, analysis, creation, testing or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;

(3) The design, documentation, testing, creation or modification of computer programs related to machine operating systems; or

(4) A combination of the aforementioned duties, the performance of which requires the same level of skills. (29 C.F.R. 541.400).

2) AIR TRAFFIC CONTROLLERS AND WEATHER OBSERVERS - NIGHT PAY & SUNDAY PAY: If you work at night as part of a regular tour of duty, you will earn a night differential and receive an additional 10% of basic pay for any hours worked between 6pm and 6am.

If you are a full-time employee (40 hours a week) and Sunday is part of your regularly scheduled workweek, you are paid at your rate of basic pay plus a Sunday premium of 25% of your basic rate for each hour of Sunday work which is not overtime (i.e. occasional work on Sunday outside the normal tour of duty is considered overtime work).

**** HAZARDOUS PAY DIFFERENTIAL ****

An 8 percent differential is applicable to employees employed in a position that represents a high degree of hazard when working with or in close proximity to ordnance, explosives, and incendiary materials. This includes work such as screening, blending, dying, mixing, and pressing of sensitive ordnance, explosives, and pyrotechnic compositions such as lead azide, black powder and photoflash powder.

All dry-house activities involving propellants or explosives. Demilitarization, modification, renovation, demolition, and maintenance operations on sensitive ordnance, explosives and incendiary materials. All operations involving re-grading and cleaning of artillery ranges.

A 4 percent differential is applicable to employees employed in a position that represents a low degree of hazard when working with, or in close proximity to ordnance, (or employees possibly adjacent to) explosives and incendiary materials which involves potential injury such as laceration of hands, face, or arms of the employee engaged in the operation, irritation of the skin, minor burns and the like; minimal damage to immediate or adjacent work area or equipment being used. All operations involving, unloading, storage, and hauling of ordnance, explosive, and incendiary ordnance material other than small arms ammunition. These differentials are only applicable to work that has been specifically designated by the agency for ordnance, explosives, and incendiary material differential pay.

**** UNIFORM ALLOWANCE ****

If employees are required to wear uniforms in the performance of this contract (either by the terms of the Government contract, by the employer, by the state or local law, etc.), the cost of furnishing such uniforms and maintaining (by laundering or dry cleaning) such uniforms is an expense that may not be borne by an employee where such cost reduces the hourly rate below that required by the wage determination. The Department of Labor will accept payment in accordance with the following standards as compliance:

The contractor or subcontractor is required to furnish all employees with an adequate number of uniforms without cost or to reimburse employees for the actual cost of the uniforms. In addition, where uniform cleaning and maintenance is made the responsibility of the employee, all contractors and subcontractors subject to this wage determination shall (in the absence of a bona fide collective bargaining agreement providing for a different amount, or the furnishing of contrary affirmative proof as to the actual cost), reimburse all employees for such cleaning and maintenance at a rate of \$3.35 per week (or \$.67 cents per day). However, in those instances where the uniforms furnished are made of "wash and wear" materials, may be routinely washed and dried with other personal garments, and do not require any special treatment such as dry cleaning, daily washing, or commercial laundering in order to meet the cleanliness or appearance standards set by the terms of the Government contract, by the contractor, by law, or by the nature of the work, there is no requirement that employees be reimbursed for uniform maintenance costs.

**** SERVICE CONTRACT ACT DIRECTORY OF OCCUPATIONS ****

The duties of employees under job titles listed are those described in the "Service Contract Act Directory of Occupations", Fifth Edition (Revision 1), dated September 2015, unless otherwise indicated.

**** REQUEST FOR AUTHORIZATION OF ADDITIONAL CLASSIFICATION AND WAGE RATE, Standard Form 1444 (SF-1444) ****

Conformance Process:

The contracting officer shall require that any class of service employee which is not listed herein and which is to be employed under the contract (i.e., the work to be performed is not performed by any classification listed in the wage determination), be classified by the contractor so as to provide a reasonable relationship (i.e., appropriate level of skill comparison) between such unlisted classifications and the classifications listed in the wage determination (See 29 CFR 4.6(b)(2)(i)). Such conforming procedures shall be initiated by the contractor prior to the performance of contract work by such unlisted class(es) of employees (See 29 CFR 4.6(b)(2)(ii)). The Wage and Hour Division shall make a final determination of conformed classification, wage rate, and/or fringe benefits which shall be paid to all employees performing in the classification from the first day of work on which contract work is performed by them in the classification. Failure to pay such unlisted employees the compensation agreed upon by the interested parties and/or fully determined by the Wage and Hour Division retroactive to the date such class of employees commenced contract work shall be a violation of the Act and this contract. (See 29 CFR 4.6(b)(2)(v)). When multiple wage determinations are included in a contract, a separate SF-1444 should be prepared for each wage determination to which a class(es) is to be conformed.

The process for preparing a conformance request is as follows:

- 1) When preparing the bid, the contractor identifies the need for a conformed occupation(s) and computes a proposed rate(s).
- 2) After contract award, the contractor prepares a written report listing in order the proposed classification title(s), a Federal grade equivalency (FGE) for each

proposed classification(s), job description(s), and rationale for proposed wage rate(s), including information regarding the agreement or disagreement of the authorized representative of the employees involved, or where there is no authorized representative, the employees themselves. This report should be submitted to the contracting officer no later than 30 days after such unlisted class(es) of employees performs any contract work.

3) The contracting officer reviews the proposed action and promptly submits a report of the action, together with the agency's recommendations and pertinent information including the position of the contractor and the employees, to the U.S. Department of Labor, Wage and Hour Division, for review (See 29 CFR 4.6(b)(2)(ii)).

4) Within 30 days of receipt, the Wage and Hour Division approves, modifies, or disapproves the action via transmittal to the agency contracting officer, or notifies the contracting officer that additional time will be required to process the request.

5) The contracting officer transmits the Wage and Hour Division's decision to the contractor.

6) Each affected employee shall be furnished by the contractor with a written copy of such determination or it shall be posted as a part of the wage determination (See 29 CFR 4.6(b)(2)(iii)).

Information required by the Regulations must be submitted on SF-1444 or bond paper.

When preparing a conformance request, the "Service Contract Act Directory of Occupations" should be used to compare job definitions to ensure that duties requested are not performed by a classification already listed in the wage determination. Remember, it is not the job title, but the required tasks that determine whether a class is included in an established wage determination. Conformances may not be used to artificially split, combine, or subdivide classifications listed in the wage determination (See 29 CFR 4.152(c)(1)).

**INTERIM AGREEMENT BETWEEN IGUA AND LASALLE
CONCERNING OFFICER CLASSIFICATION**

1. LaSalle Corrections and IGUA (collectively: "the Parties") recognize that officers working at the San Luis Detention Center, located at 406 North Avenue D/PO Box 7710, San Luis, Arizona 85349, have historically been designated as Guard II (Job Classification Code 27102). This historical characterization of officers is not in dispute.

2. Effective on the date signed below, the Parties agree that the officers will be performing the following duties:

- Maintain order among inmates in a prison or local jail;
- Perform routine duties in accordance with established policies, regulations, and procedures to guard and supervise inmate in cells, at meals, during recreation, and on work assignments;
- May employ weapons or force to maintain discipline and order;
- Take periodic inmate counts;
- Search inmates and cells for contraband articles;
- Inspect locks, windows, bars, grills, doors, and grates for tampering;
- Aid in prevention of escapes and taking part in searches for escaped inmates;
- Escort inmates to and from different areas for questioning, medical treatment, work and meals;
- May act as outside wall guard; and
- Other duties, including transportation details, as assigned.

3. In light of this agreement, the IGUA would accept a change in classification from Guard II to Corrections Officer (Job Classification Code 27008) if approved by the U.S. Marshal's Service ("USMS").

4. LaSalle agrees to use its best effort to seek the USMS's reclassification of officers from Guard II to Corrections Officer. If approved, LaSalle agrees to implement the corresponding wage rate for Correction Officer as of the effective date designated by USMS.

5. Nothing in this Agreement is intended to limit to the scope of officer work duties or to circumvent LaSalle's management rights as memorialized in the Tentative Agreement between the IGUA and LaSalle.

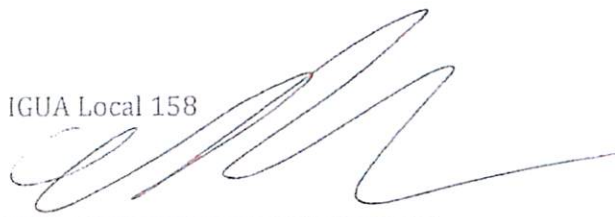
AGREED on August 28, 2018:

LaSalle Corrections



By: Warden David Rivas

IGUA Local 158



By: President Emeterio Leon

Facilities Development Corporation

3.B.

Meeting Date: 09/26/2018

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Kay Macuil, City Attorney, Attorney's Office

ITEM:

EXECUTIVE SESSION

Vote to hold an Executive Session pursuant to A.R.S. §38-431.03(A) (3)(4) and (7)

Discussion and possible action to hold an executive session pursuant to A.R.S. §38-431.03(A) (3) and (4) on any and all matters regarding contracts and proposals related to the San Luis Regional Detention and Support Center (the "Detention Center) for discussion or consultation for legal advice with the Board's attorney, in order to consider and instruct the Board's attorney regarding the Board's position regarding contracts and proposals on the Detention Center regarding negotiating an operating and management agreement with LaSalle Corrections, L.L.C. effective December 1, 2018. **(Kay Marion Macuil, Corporation Attorney)**

SUMMARY:

The San Luis Facility Development Corporation Board may be properly be advised on the above-described agenda item in executive session and pursuant to A.R.S. §38-431.03(D) may instruct its attorney in negotiating an operating and management agreement with LaSalle Corrections, L.L.C. effective December 1, 2018.

RECOMMENDATION / SUGGESTED MOTION:

I MOVE TO HOLD AN EXECUTIVE SESSION AS DESCRIBED IN THIS AGENDA ITEM.

Facilities Development Corporation

5.A.

Meeting Date: 09/26/2018

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Kay Macuil, City Attorney, Attorney's Office

ITEM:

Discussion and possible directions to staff on any and all matters regarding review of the San Luis Facility Development Corporation by-laws, including but not limited to the provisions section 3.03 and 4.04. **(Kay Marion Macuil, Corporation Attorney)**

SUMMARY:

The By-Laws are attached for the convenience of review.

This item was on the agenda at the July meeting of the Board of Directors and the Board continued the item. The Board's Attorney had put it on the agenda with the mistaken view that Sections 3.03 and 4.04 were in conflict. In fact, the sections are not in conflict. Section 3.03 City Council fills vacancies. Section 4.04 the Board of Directors votes on which Board of Director will fill any change in the Officers (president, vice president and secretary-treasurer). Since there is no conflict, there is nothing to be corrected, so this item was brought back for discussion only.

RECOMMENDATION / SUGGESTED MOTION:

Discussion and possible directions to staff only, no action.

Attachments

By-Laws

BYLAWS
OF
[SAN LUIS FACILITY DEVELOPMENT CORPORATION]
(An Arizona Nonprofit Corporation)

ARTICLE I

NAME

The name of the Corporation is [SAN LUIS FACILITY DEVELOPMENT CORPORATION] (hereinafter referred to as the "Corporation").

ARTICLE II

MEMBERSHIP

The Corporation shall not have any members or membership rights as such terms are defined in Section 10-3101 et seq. of the Arizona Revised Statutes, or the corresponding sections of any future Arizona nonprofit code.

ARTICLE III

BOARD OF DIRECTORS

Section 3.01. General Powers. The affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors shall have the powers and duties necessary for the administration of the Corporation's affairs and for the operation and maintenance of any and all Corporation property. The Directors shall in all cases act as a Board; and they may adopt such rules and regulations for the conduct of their meetings and the management of the Corporation as they deem proper, not inconsistent with these Bylaws, the Articles of Incorporation or the laws of the State of Arizona.

Section 3.02. Other Powers and Duties. Without limiting the generality of the foregoing, the Board of Directors shall be empowered and shall have the duties as follows:

- (a) To borrow funds and to give security therefor in order to pay any expenditure or outlay required pursuant to the authority granted by the provisions of the Articles of Incorporation and these Bylaws, and to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary; and such indebtedness shall be the obligation of the Corporation.

(b) To establish one or more bank accounts for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Directors.

(c) To keep and maintain, or cause the same to be kept and maintained, detailed, accurate records in chronological order of receipts and expenditures affecting the Corporation.

(d) To prepare not less often than once per year a statement showing all receipts, expenses or disbursements since the last such statement.

(e) To meet at such intervals as shall be deemed appropriate by the Board of Directors.

(f) To buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate or otherwise deal in and with real, personal and intangible property of all kinds and all rights or interests therein for any purpose of the Corporation.

(g) To enter into contracts for services and facilities for the benefit of the Corporation and to do all acts that a natural person could do for the benefit of the Corporation.

(h) In general, to carry on the administration of the Corporation, to do all of those things necessary and reasonable in order to carry out the governing, administration and operation of the Corporation.

Section 3.03. Number. The Board of Directors shall consist of five Directors.

Section 3.04. Election and Term of Office. Directors shall be elected to serve terms of three years. The Directors shall hold office until their successors have been elected and held their first meeting. Directors shall be elected by the City Council of the City of San Luis, Arizona (the "City").

Section 3.05. Vacancies. Vacancies in the Board of Directors shall be filled by the City Council of the City. Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 3.06. Removal of Members of Board of Directors. Any Director may only be removed, with or without cause, with the approval of the City Council of the City; and a successor may then and there be elected to fill the vacancy and unexpired term thus created. Any Director whose removal has been proposed shall be given an opportunity to be heard at such meeting.

Section 3.07. Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business; and the act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of

Directors, unless otherwise provided in these Bylaws. If, at any meeting of the Board of Directors, there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At such adjourned meeting subsequently held, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 3.08. Annual Meetings. An annual meeting of the Board of Directors shall be held each year in a month selected by the Board of Directors. At such annual meeting, officers of the Corporation shall be appointed by the Board of Directors.

Section 3.09. Special Meetings. Special meetings of the Board of Directors may be called by the President on at least twenty-four (24) hours notice to each Director, given personally or by mail, electronic transmission, telephone, telegraph or facsimile, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors may also be called by the President in like manner and on like notice upon the request of a majority of the Directors.

Section 3.10. Location of Meetings. All meetings of the Board of Directors shall be held at such location as shall, from time to time, be designated by the Board of Directors.

Section 3.11. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting; and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice by him or her of the time and place thereof; unless the Director attends the meeting for the express purpose of objecting to the transaction of any business before the meeting which is not lawfully called or convened.

Section 3.12. Action Taken Without Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 3.13. Meetings by Telephone. One or more Directors may participate in a meeting of the Board of Directors by means of a conference telephone or similar communications arrangement by which all participants in the meeting can hear each other at the same time. Such participation shall be equivalent for all purposes to attendance in person at such meeting.

ARTICLE IV

OFFICERS

Section 4.01. Designation. The principal officers of the Corporation shall be a President, one or more Vice Presidents (at the option of the Board of Directors), a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors, and such assistant officers as the Board of Directors shall, from time to time, designate. The President shall be a member of

the Board of Directors and the Vice President(s), Treasurer and Secretary may, but need not, be members of the Board of Directors.

Section 4.02. Election and Term of Officers. The officers of the Corporation shall be elected annually by the Board of Directors, and shall hold office at the pleasure of the Board of Directors. One person may hold concurrently any two offices; provided, however, that the offices of President and Secretary shall not be held by the same person. The office of Vice President need not be filled.

Section 4.03. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

Section 4.04. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by a majority vote of the members of the Board of Directors.

Section 4.05. President. The President shall be the chief executive officer of the Corporation and, subject to the control of the Directors, shall, in general, supervise and control all of the business and affairs of the Corporation. He or she shall preside at all meetings of the Board of Directors. He or she shall cause to be called regular and special meetings of the Board of Directors in accordance with these Bylaws. He or she shall have the power to appoint committees from among the members of the Board of Directors, from time to time as he or she may, in his or her discretion, decide is appropriate to assist in the conduct of the affairs of the Corporation. He or she shall sign and make all contracts and agreements in the name of the Corporation. He or she shall enforce these Bylaws and perform all of the duties incident to the position and office and which are required by law.

Section 4.06. Vice President. The Vice President shall have the powers and authority and shall perform all functions and duties of the President in the absence of the President or his or her inability, for any reason, to exercise such powers and functions or perform such duties.

Section 4.07. Secretary. The Secretary shall keep all minutes of the meetings of the Board of Directors and minutes of all meetings of the Corporation; he or she shall have charge of such books and papers as the Board of Directors may direct; and he or she shall, in general, perform all duties incident to the office of Secretary.

Section 4.08. Treasurer. The Treasurer shall have the responsibility for supervising the Corporation's funds and shall be responsible for supervising all receipts and disbursements in books belonging to the Corporation. He or she shall, in general, perform all of the duties incident to the office of Treasurer.

Section 4.09. Agreements, Deeds, Checks, Etc. All agreements, deeds, leases, checks and other instruments of the Corporation shall be executed by any officer of the Corporation or by any other person or persons designated by the Board of Directors.

ARTICLE V

NONPROFIT CORPORATION

This Corporation is a nonprofit corporation organized under Arizona law. No Director or officer shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof; and in no event shall part of the funds or assets of the Corporation be paid as salary or compensation to, or distributed to, or inure to the benefit of, any member of the Board of Directors or officer of the Corporation; provided, however, (a) that reasonable compensation may be paid to any Director or officer while acting as an agent or employee of the Corporation for services rendered in effectuating the purposes of the Corporation; and (b) that any Director or officer may, from time to time, be reimbursed for actual and reasonable expenses incurred in connection with the administration of the affairs of the Corporation.

ARTICLE VI

AMENDMENT

These Bylaws may be amended by the Board of Directors by a vote of two-thirds of the votes entitled to be cast by the Board of Directors at a meeting of the Board of Directors, provided that written notice has been given to each member of the Board of Directors at least two weeks prior to the date of said meeting.

ARTICLE VII

INDEMNIFICATION

The Corporation shall indemnify Directors and officers of the Corporation to the maximum extent permitted by Arizona law, as amended from time to time.

ARTICLE VIII

To the extent permitted by applicable law, no Director or officer of the Corporation shall have individual liability for the payment or performance of debts or obligations of the Corporation.

ARTICLE IX

ENACTMENT CLAUSE

These Bylaws of the Corporation, as amended and approved by the Board of Directors, shall become effective immediately.

IN WITNESS WHEREOF, the undersigned has hereunto set the official hand and seal of the Corporation this 11th day of October, 2005.

[SAN LUIS FACILITY DEVELOPMENT CORPORATION], an Arizona Nonprofit Corporation

By 
Secretary

Facilities Development Corporation

5.B.

Meeting Date: 09/26/2018

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Kay Macuil, City Attorney, Attorney's Office

ITEM:

Discussion and possible directions to staff on any and matters regarding scheduling future meetings. **(Kay Marion Macuil, Corporation Attorney)**

SUMMARY:

Because there are only a few weeks until the Board must have a contract negotiated to be effective on December 1, 2018, the Board should schedule a few meetings between now and December 1 at a time and date convenient to the Board. This schedule of meetings will also help to keep the negotiators on track with deadlines to go to the Board

RECOMMENDATION / SUGGESTED MOTION:

Discussion and possible directions to staff only, no action.
